ukrtelecom

better starts today

Consolidated Company Report 2021

9 December 2022

Contents

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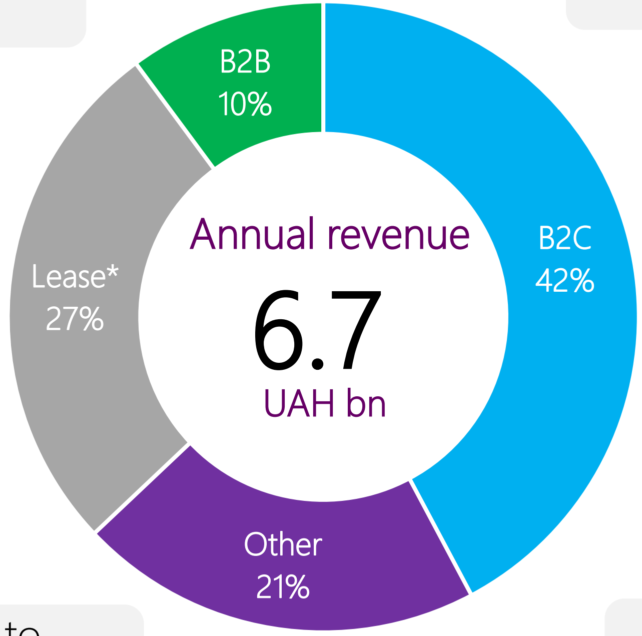
Ukrtelecom today is the largest fixed telecom provider in Ukraine and a leading provider of Internet services

- Internet services in more than 3.9 k settlements
- More than 77.5 k km of fiber optic cable lines (+14 k km in 2021)
- 2 data centers with the total capacity of 5.8 k units
- 10 k real estate objects throughout the country
- One of the largest payers of taxes and fees in Ukraine – UAH 1.8 bn
- 645 k of new households have been able to connect to the fiber optic network in 2021



- 1.5 m fixed voice subscribers and 0.8 m Broadband subscribers
- 269 k fiber optic Broadband subscribers
- 48 k IPTV subscribers
- 25 k cloud PBX lines
- 11.7 k employees
- 1.3 m households - total coverage of the fiber optic network

* Revenue from technological, commercial lease and lease of cable ducts

2 CEO's Review

Dear Partners,

Ukrtelecom, an operator of the national fixed internet network in Ukraine, has used every day of 2021 to develop its infrastructure, which today works to win the war started by the russian federation against Ukraine. Ukrtelecom's infrastructure is used by our defenders - the Armed Forces of Ukraine and other military agencies, critical infrastructure, state and local authorities, banks, hospitals - as well as businesses and hundreds of thousands of Ukrainians. The company is doing everything possible for Ukraine's victory: supports the army and defense forces by providing about UAH 20 millions of financial assistance; organizes temporary shelters on its premises for persons who have been forced to leave their homes due to the war; continues to fulfill its obligations to thousands of its employees, prioritizing their security and financial stability.

Thanks to its employees, Ukrtelecom in 2021 continued to successfully implement its transformation and development strategy through the development and modernization of technological infrastructure, introduction of new services and increase of operational efficiency. Last year, we again achieved a high level of profitability and maintained financial stability. Ukrtelecom's total revenue in 2021 amounted to over UAH 6.6 billion, which is 7% more than the year before. EBITDA increased by 9.5% in the reporting year to almost UAH 1.9 billion. EBITDA margin increased to 28.4%.

Ukrtelecom continued to actively develop fiber optic infrastructure, including with the involvement of international partners. The development of fiber optic access networks took place through both the deployment of networks in new settlements and the modernization of the existing copper networks. In total, more than 13.6 thousand kilometers of fiber optic access lines were built during the year, which is the largest annual volume of construction in the company's history. In 2021, Ukrtelecom's fiber optic Internet connected 596 towns and villages, also 3.7 thousand social infrastructure facilities were connected, including about 570 medical institutions, 770 educational institutions and 159 territorial communities. Total investments in the development of fiber optic networks amounted to UAH 700 million, and at the beginning of 2022 Ukrtelecom's Internet access network covers 3 918 settlements.

The number of fiber optic internet users increased by 60% over the year, which led to an increase in revenue from this service by 70% - up to UAH 691 million. In total, revenues from Internet services increased to almost UAH 2 billion, while revenues from fixed telephony amounted to almost UAH 1.9 billion.

In 2021, private subscribers were provided with services worth almost UAH 2.8 billion. Of these, more than UAH 1.5 billion was received from Internet services, which is 3.5% more than a year before. In the corporate segment, revenues also increased, amounting to more than UAH 1.4 billion in 2021. At the same time, revenues from Internet services and data transfer increased by 9% to UAH 650 million. Also, in 2021 we expanded the line of Microsoft Office and Bitdefender partner products, updated the capabilities of "Cloud PBX", and through the cooperation with the startup acceleration hub "Sector X" Ukrtelecom business users gained access to a new e-commerce tool - a platform to create an online store from our partner Shop-Express.

Ukrtelecom continues to make efficient use of the resources released thanks to the company's modernization and technical re-equipment. During 2021, an additional 104 thousand m^2 of commercial real estate was leased. As of the beginning of this year, Ukrtelecom is renting out a total of 531 thousand m^2. Revenue from commercial lease of property not involved in core processes in 2021 amounted to UAH 453 million. This is 36% more than the year before.

In total, in 2021 we made capital investments of almost UAH 1 billion and transferred over UAH 1.8 billion in taxes and other payments to the budgets of all levels.

With respect and faith in our Victory,
Yurii Kurmaz
General Director of JSC Ukrtelecom

Mission

Mission of the Company includes three key aspects:

To meet the needs of businesses and citizens of Ukraine in high-quality telecommunication services

To meet the interests of shareholders by achieving high financial results

To meet the interests of society by creating highly developed ICT infrastructure of the state

Values

The corporate culture of the Company is built on the value system **KRASHCHE* ("CRASE")**

C

Client orientation

We always put the needs of our clients, partners and colleagues at the center of attention. We provide services of the highest quality and build open, strong and lasting partner relationships

R

Results orientation

We are focused on achieving high results. We set ambitious targets and achieve them. We organize our work efficiently and find effective instruments to realize our ideas

A

Activity

We constantly move forward and inspire others by our actions. We are a team of professionals, each of us is a leader in his/her field

S

Sincerity

We are sincere, honest and responsible. We treat our clients, partners, colleagues and society in a good faith

E

Enthusiasm

We are energetic, ready for changes and new victories. We are constantly evolving and helping others

* in Ukrainian means "BETTER"

History

From a national communications operator to the leading telecommunication company

1991 - 1995
The Ukrainian Telecom Association “Ukrelektrozvyazok” is established, serving as a national communications operator in Ukraine

1999
Corporatization of Ukrtelecom

2000
The Cabinet of Ministers of Ukraine approves the start of Ukrtelecom’s privatization

2000
The Public Joint Stock Company Ukrtelecom is registered

2007
Ukrtelecom starts selling 3G mobile services

2011
Privatization of Ukrtelecom PJSC is completed

2011
Ukrtelecom PJSC has established a mobile operator TryMob LLC

2013
Ukrtelecom PJSC becomes a part of SCM Group

2015
Large-scale modernization of the telecommunication network of Ukrtelecom PJSC begins

2019
A two-year project to connect 300 settlements to the fiber optic Internet has been launched

2020
A record number of new B2C fiber optic connections: 63 thousand subscribers

2021
Record volume of fiber optic networks construction: almost 14 k km

Modernization of the product portfolio

B2B

- Fixed voice telephony
- DSL-Internet
- Communication channels

- Fixed voice telephony
- DSL-Internet
- Communication channels
- SIP
- Cloud PBX
- Optical Internet 1 Gbps
- VPN L2/L3
- Data center services

- Fixed voice/ converged telephony
- DSL-Internet
- Communication channels
- SIP
- Cloud PBX
- Fiber Optic Internet 10 Gbps
- VPN L2/L3
- Data center services
- TV Business
- Anti-DDoS
- Cloud services - IaaS, BaaS
- Antivirus protection
- SaaS Office 365
- Permanent Microsoft SaaS
- "Website Builder" from Shop Express

2011 — 2015 — 2020

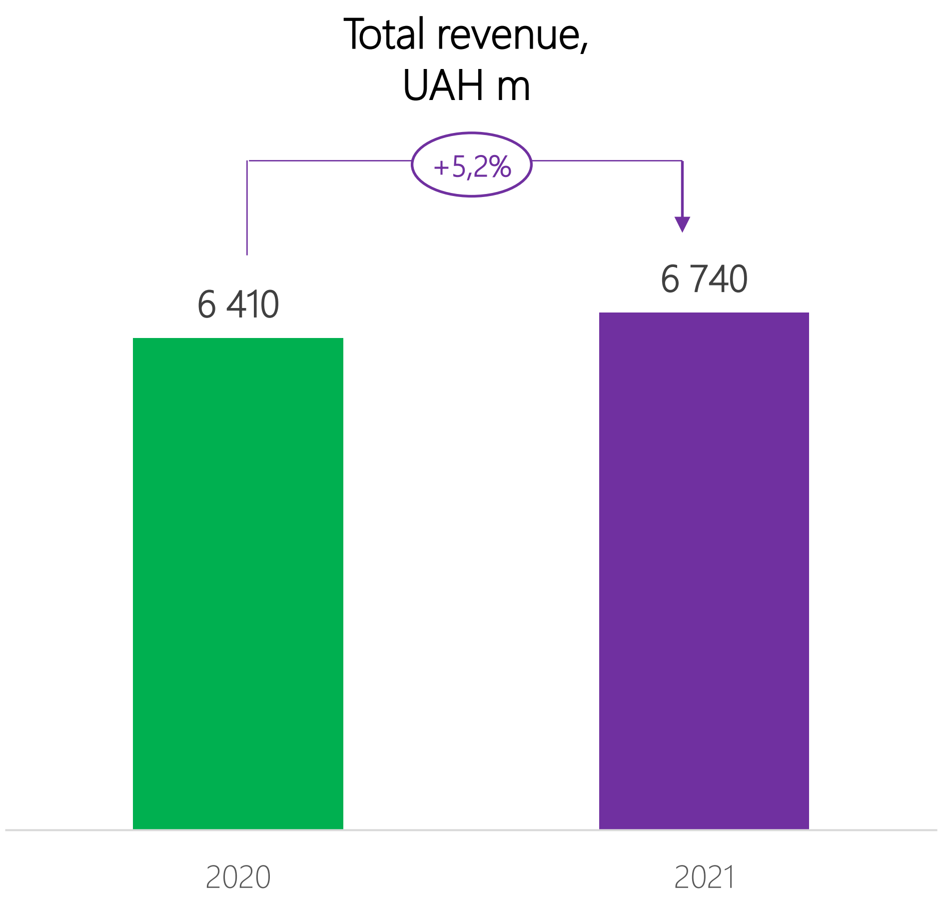
B2C

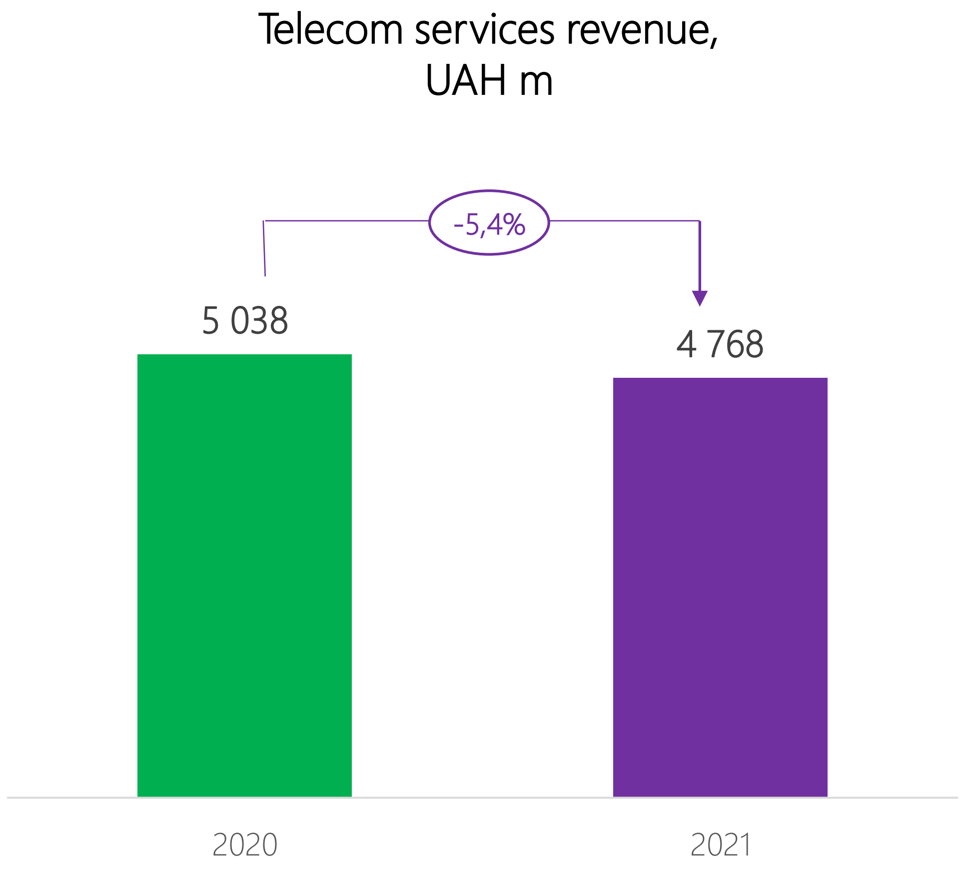
- Fixed voice telephony
- DSL-Internet
- Dial-up Internet

- Fixed voice telephony
- SIP
- DSL-Internet
- Interactive TV

- Fixed voice/ converged telephony
- SIP
- ADSL Internet up to 20 Mbps
- VDSL Internet up to 50 Mbps
- Fiber optic Internet 1 Gbps
- Interactive TV
- Sale of equipment to subscribers

Revenue

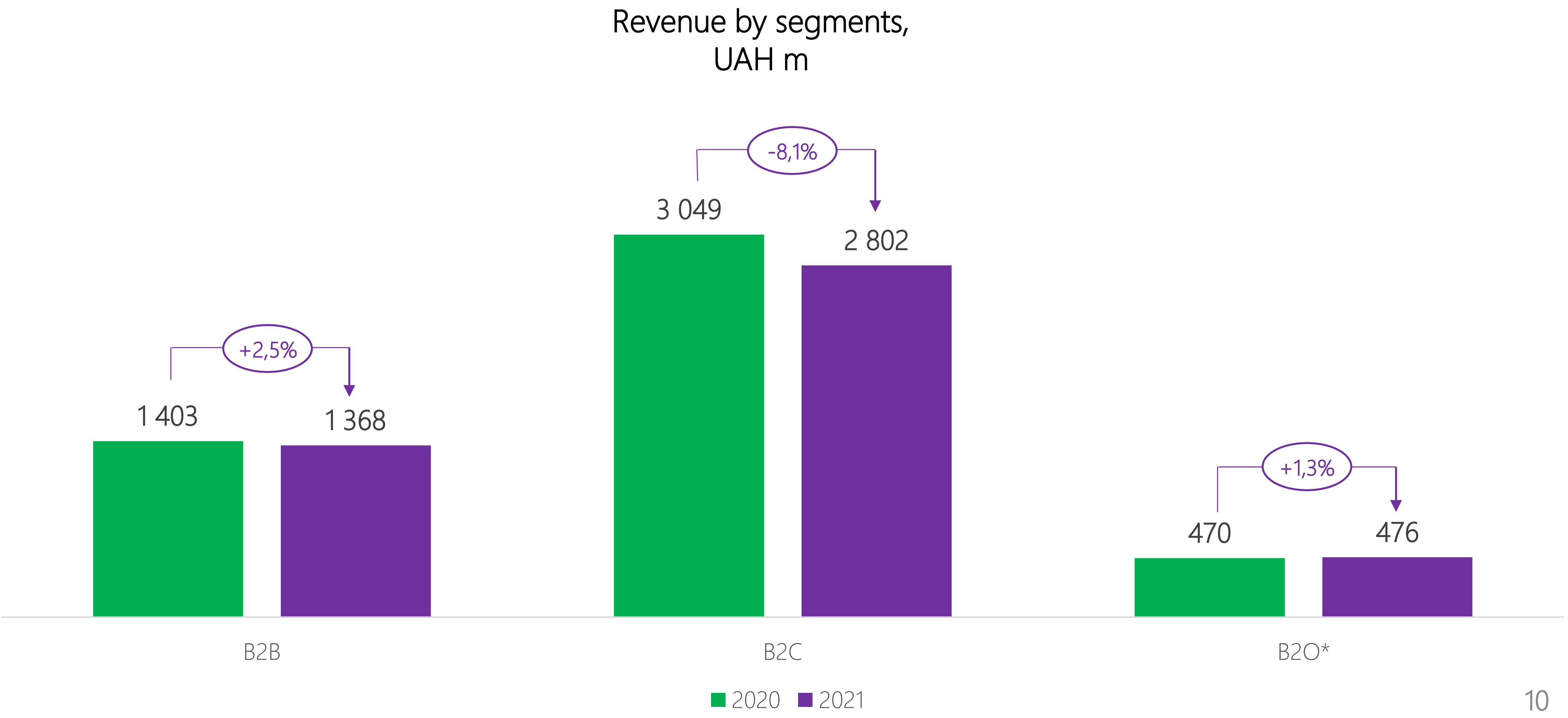




* According to managerial accounting data. Income and other operating income in accordance with consolidated financial statements 2021: 6 524 m UAH; 2020: 6 221 m UAH

Structure of telecom services revenue

Growth in B2B segment

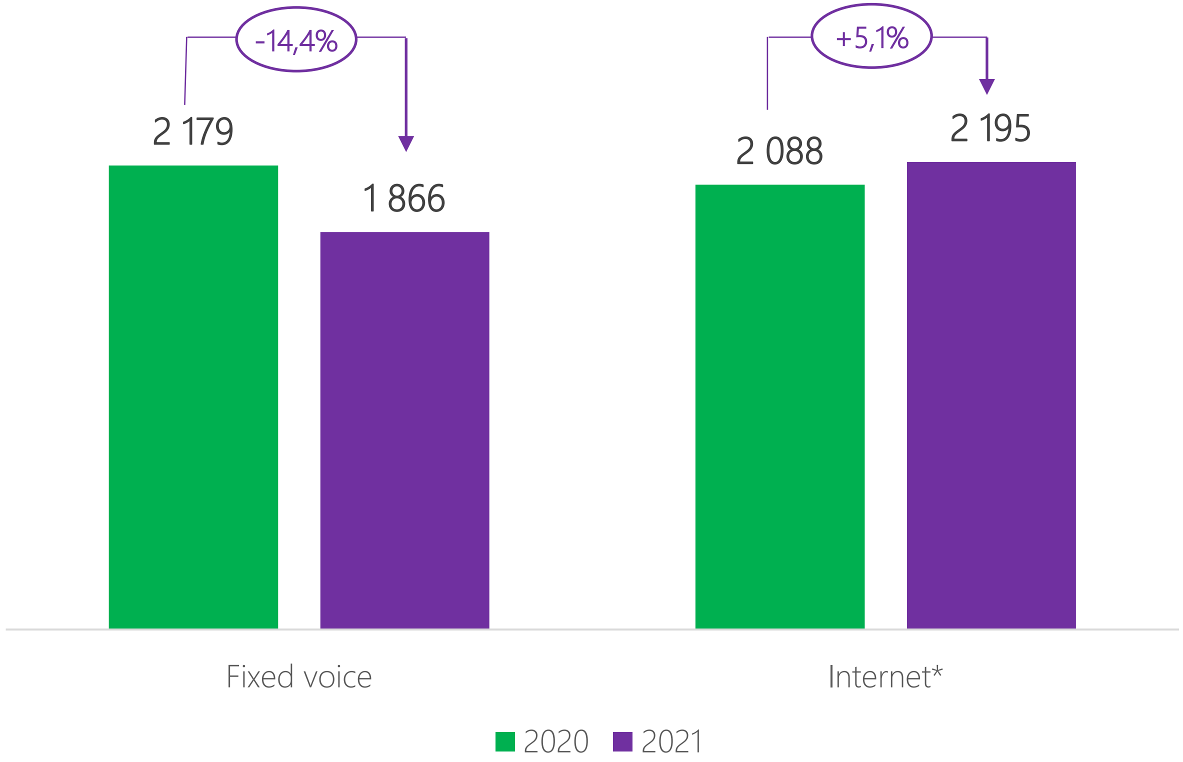


* Not including lease of cable duct

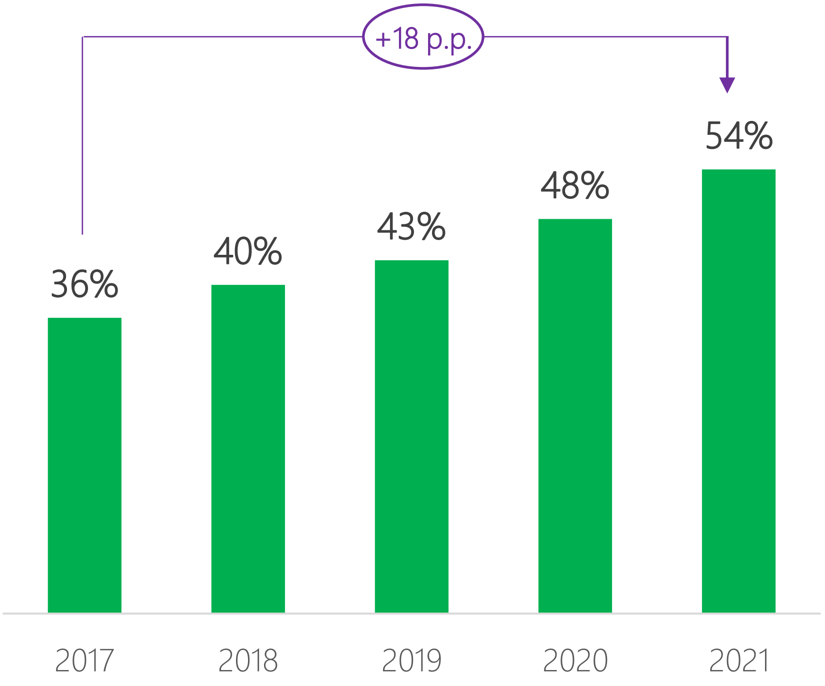
Structure of key telecom services revenue

Increase in revenue from Internet services

Key telecom services revenue, UAH m



Share of revenue from Internet services



* Internet and data transfer services

B2C

- 961 k subscribers

ARPU
- 2020 – UAH 65 ex. VAT
- 2021 – UAH 75 ex. VAT

- 707 k subscribers
- 1.9 k FTTx home passes
- coverage in 3 918 settlements

ARPU
- 2020 – UAH 120 ex. VAT
- 2021 – UAH 155 ex. VAT
- FTTx – UAH 189 ex. VAT

- 46.6 k subscribers
- 9.4% IPTV penetration among FTTx subscribers

- 180+ channels and radio stations
- view through browser
- access to HD Channels Cine+

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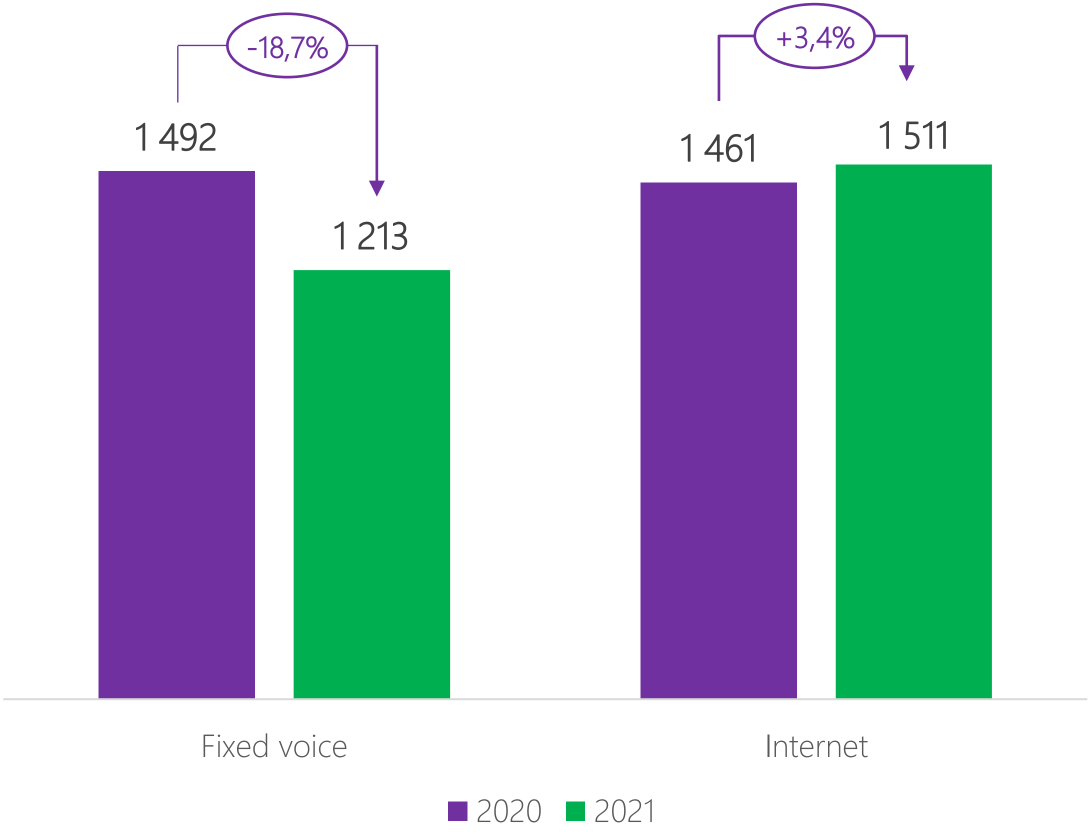
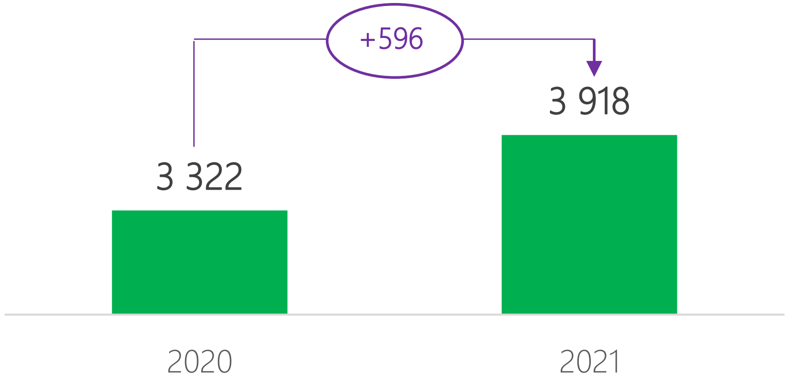
B2C

Increase in revenue from Internet services

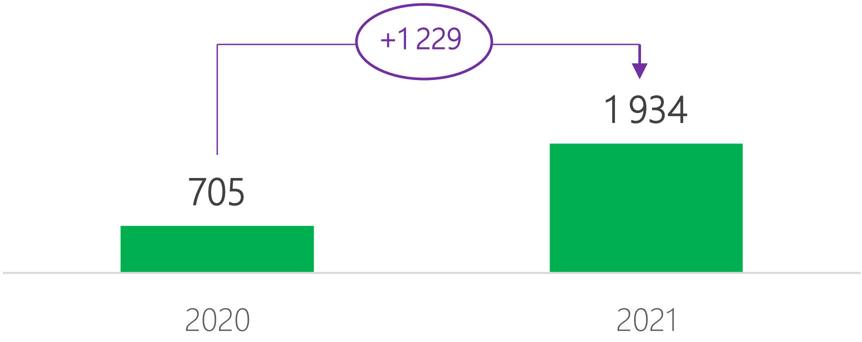
Key telecom services revenue, UAH m



Internet network development, # of settlements

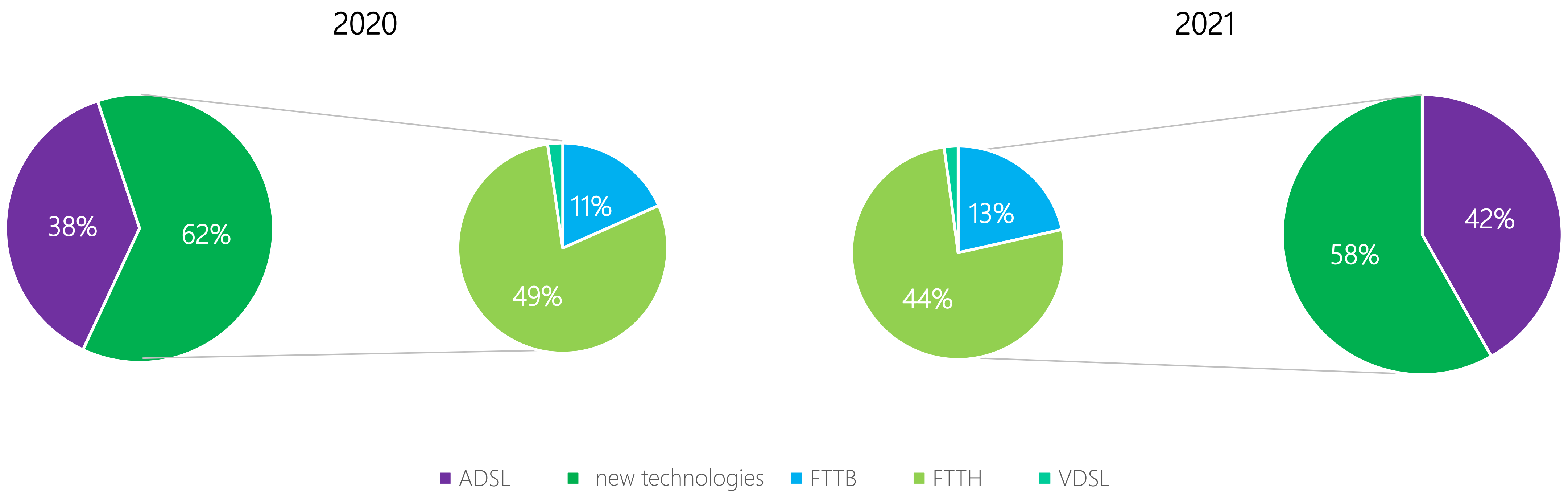


FTTx coverage, k homepasses



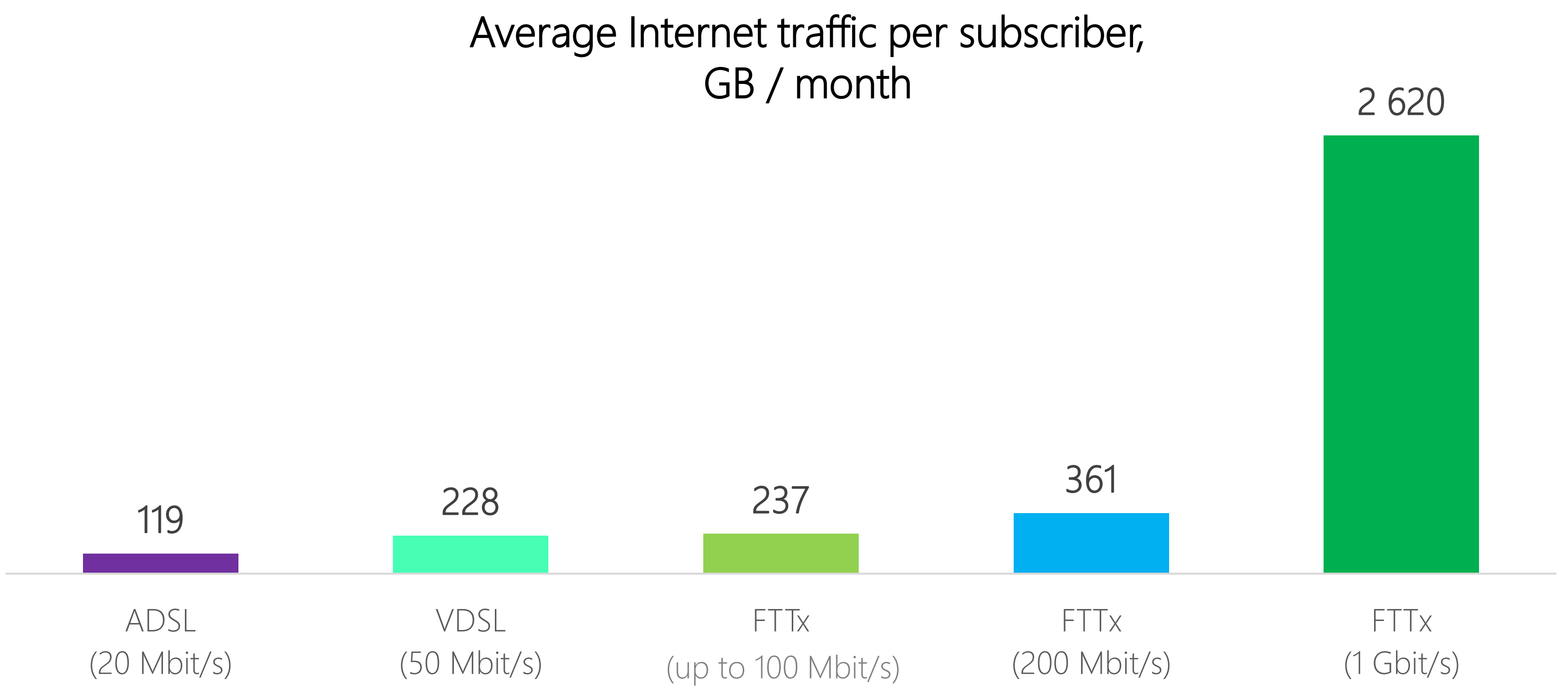
B2C

Share of new connections by technology



B2C

Internet traffic by technology



укртелеком

ukrtelecom
вражаюча швидкість нової мережі

B2B

- 589 k subscribers

ARPU
- 2020 – UAH 76 ex. VAT
- 2021 – UAH 85 ex. VAT

- 120 k subscribers

ARPU
- 2020 – UAH 238 ex. VAT
- 2021 – UAH 307 ex. VAT

- 5,8 Units

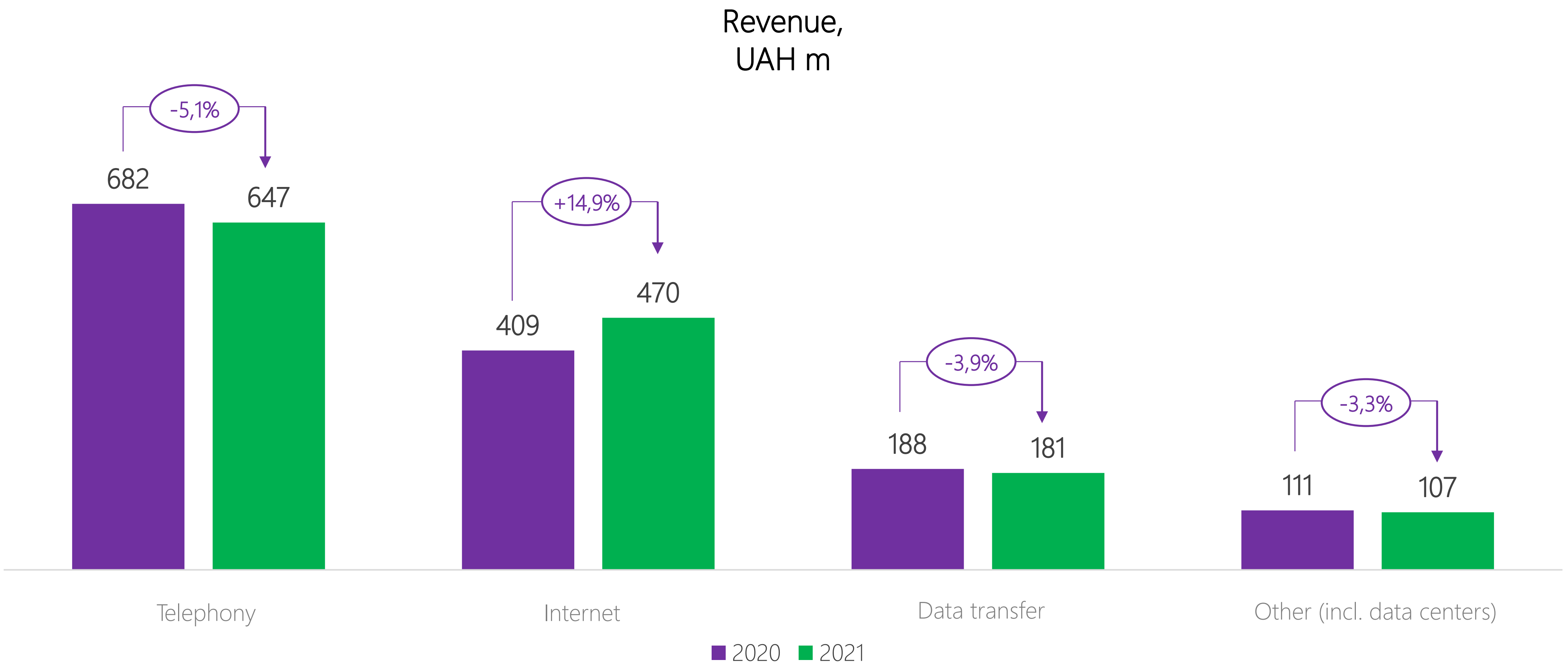
- 24,7 k lines (+6% YoY)

- 1.14 k screens

- Cybersecurity “Anti-DDoS”
- +12% revenue YoY

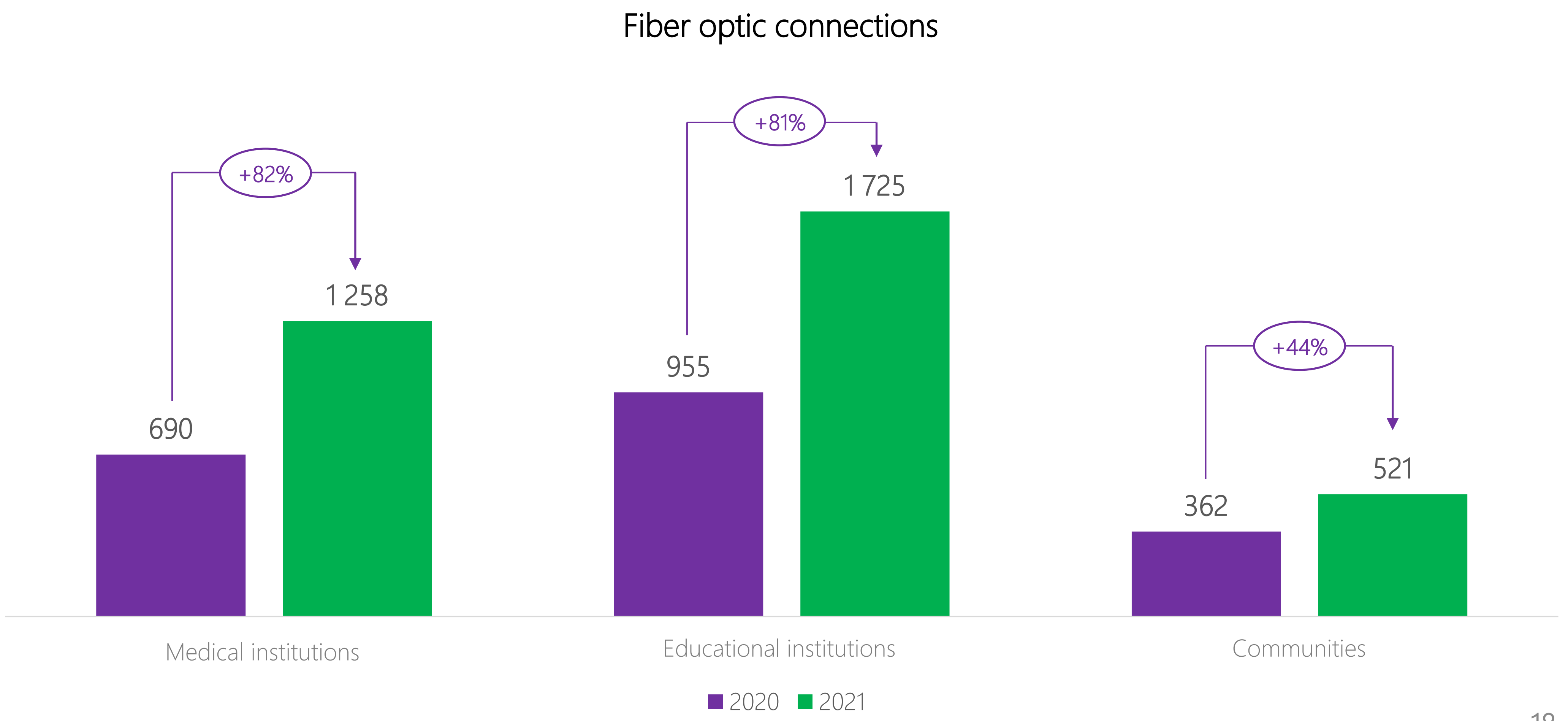
B2B

Revenue growth from ICT services

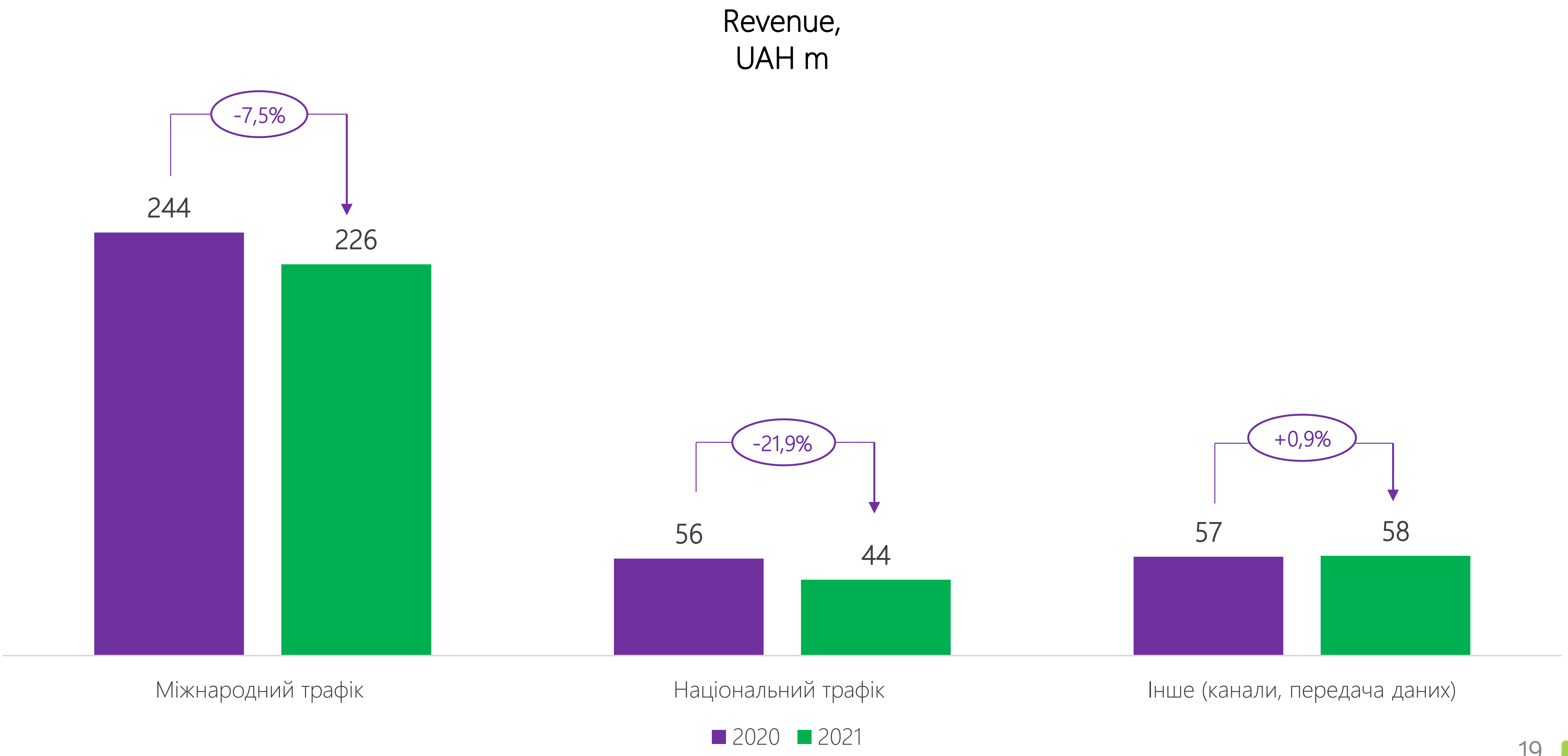


B2B

Increase in subscriber base of social infrastructure objects

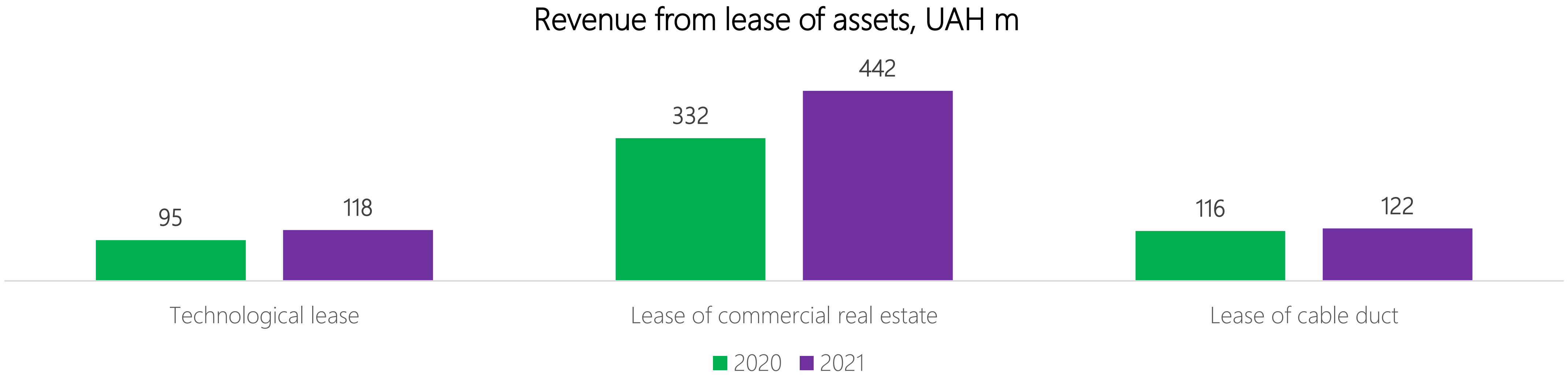


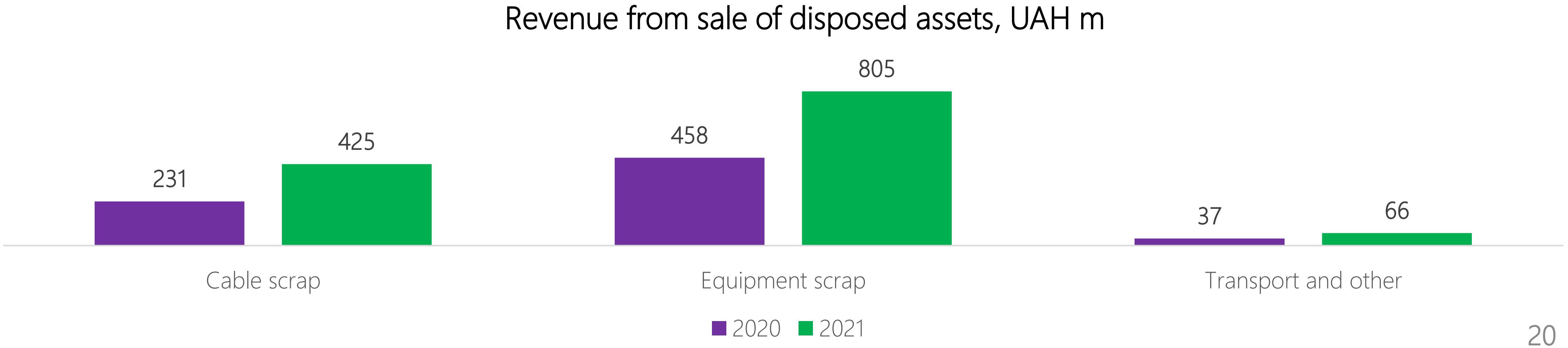
B2O


Revenue,
UAH m
-7,5%
244
226
-21,9%
56
44
+0,9%
57
58
Міжнародний трафік
Національний трафік
Інше (канали, передача даних)
2020
2021

Revenue from management of assets

Increase of revenue from lease of commercial real estate

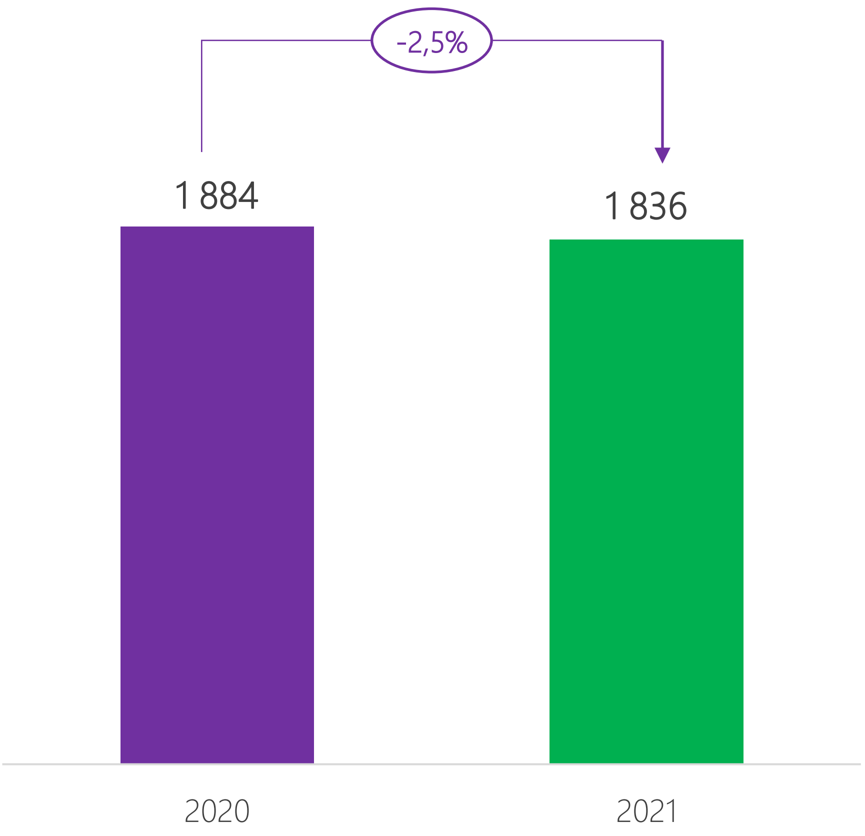




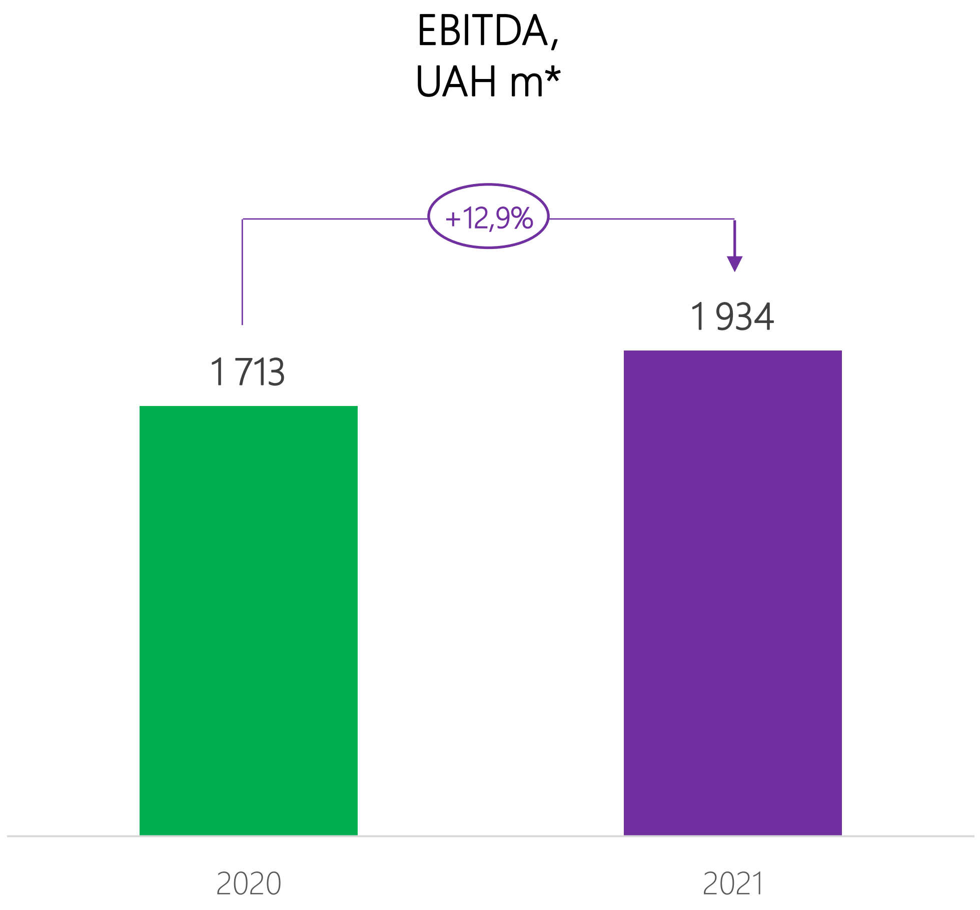
Taxes and fees

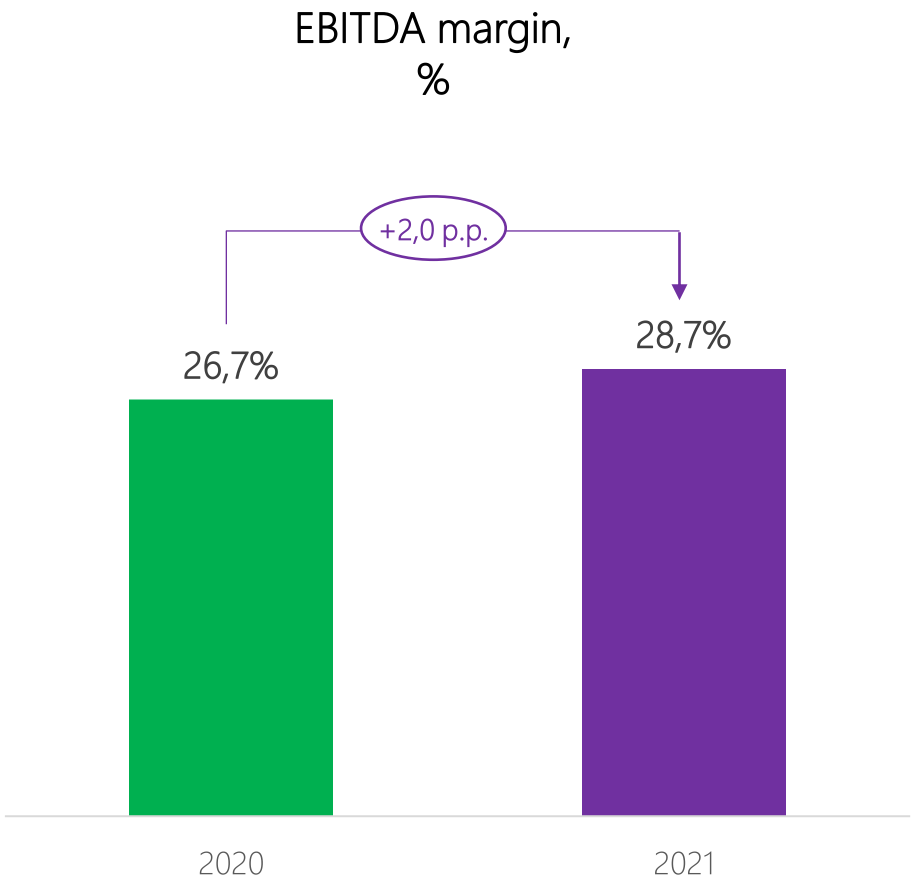
Ukrtelecom is one of the largest payers of taxes and fees in telecom industry

Taxes and fees,
UAH m



EBITDA



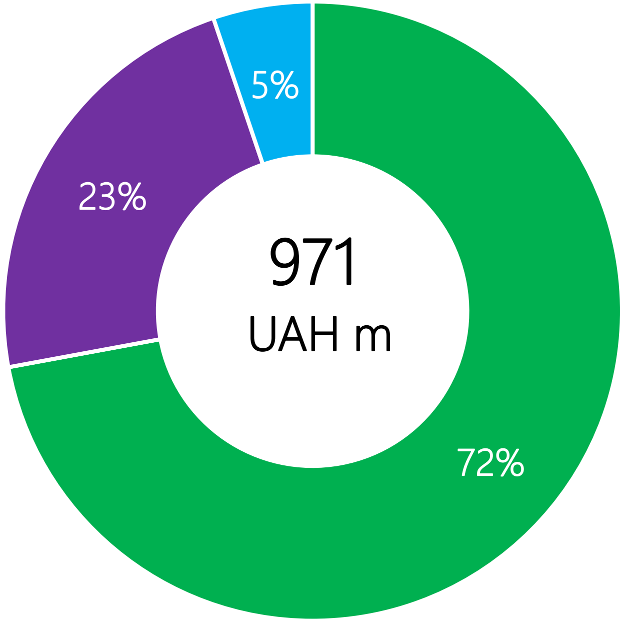


* According to managerial accounting data

Capital expenditures

Capital expenditures were mainly directed at network modernization and development

Structure of capital expenditures in 2021*

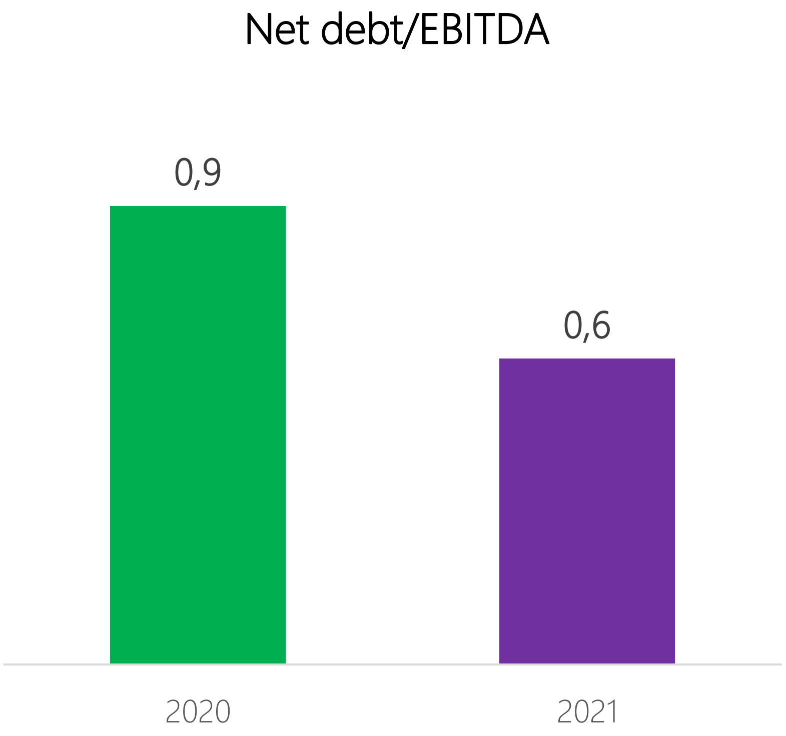


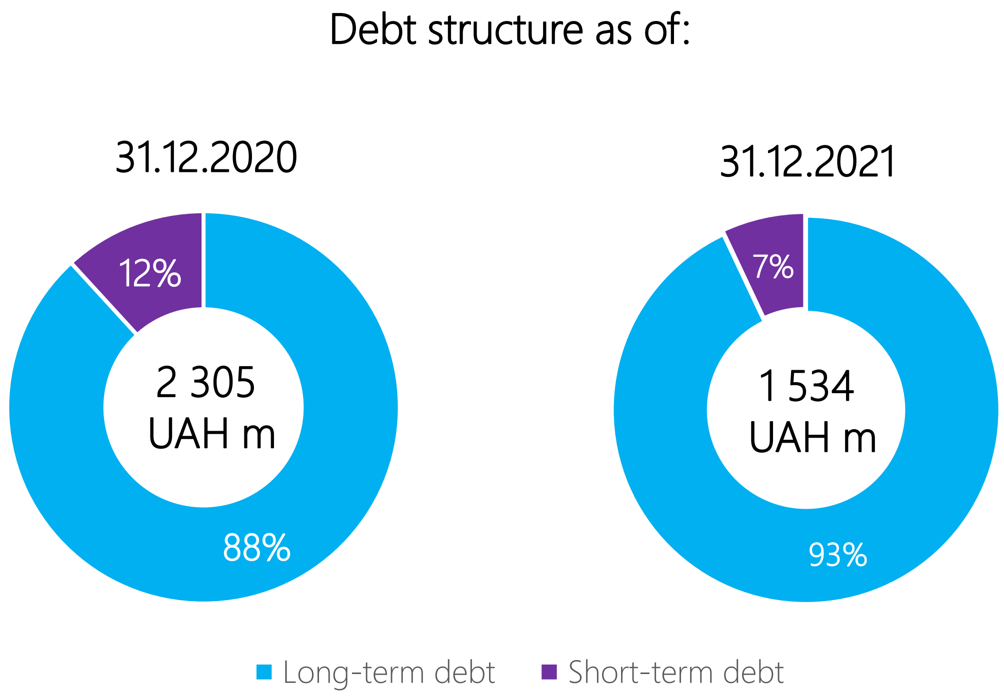
- Access, new connections and products (B2C, B2B, B2O)
- Infrastructure and IT
- Other (optimization of expenses, legislative requirements, force majeure)

* According to managerial accounting data

Liquidity and debt

The Company has a stable financial position and low net debt to EBITDA ratio





* EBITDA according to managerial accounting data. ** Liabilities include the amount of loans and liabilities from bonds issued by the parent company

Infrastructure development

Core network

IMS core, 82 MPLS routers, 2.4 k of 10 Gb ports

Zone aggregation network

Uplink capacity 4 434 Gbps, 762 of 1/10 GB ports

Network of caching equipment platforms

Google - 540 Gbps
Facebook - 160 Gbps
Digital Screens - 320 Gbps
Sweet.TV - 80 Gbps

Backbone

Internal 1 280 Gbps, external 250 Gbps,
parity channels 736 Gbps

Internet access network

3 918 settlements (+596 in 2021)

Fiber optic network

77,5 k km (+14 k km in 2021)

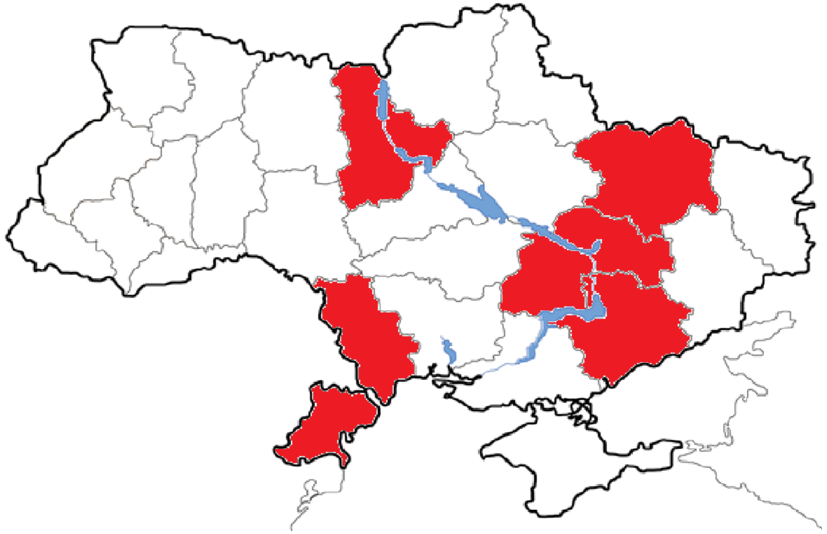
Thefts and damages of copper cable

In 2021, Ukrtelecom recorded:

- 7.7 k cases of theft and damages;
- 1.7 k km of cable stolen or damaged.

TOP 5 regions by number of cases:

Dnipropetrovsk	2 035
Odesa	1 049
Kharkiv	928
Kyiv	879
Zaporizhzhya	863



In order to reduce the number of thefts and preserve telecommunication infrastructure, the Company cooperates with law enforcement bodies and private security organizations, installs locking devices on manholes, replaces copper cables with fiber optic ones and switches to the use of other modern technologies (i.e. FMC).

R&D

In 2021, Ukrtelecom implemented modern technologies:

- continued investments in the development of fiber optic access network with GPON and Ethernet technologies, installed 700 optical line terminal (OLT), built about 13,6 thousand km of fiber optic lines;
- started large-scale modernization of a backbone network, laying 385 km of new fiber optic cables;
- expanded the capacity of the DWDM transport network by constructing seven new 10 Gbps optic channels;
- implemented and investigated the results of several "pilot" projects, in particular: remote monitoring of access to cable duct manholes and remote monitoring of passive fiber optic infrastructure of access networks based on PON technology.

In 2021, Ukrtelecom's representatives took an active part in scientific and technical work:

- contributed to the development of international and national regulatory documents, in particular:
  - two State Technical Standards Committees: TC 155 "Radiotechnology" and TC 157 "Telecommunications";
  - the Technical Commission of the State Security Service of Ukraine on determining the list of equipment that can be used in public telecommunication networks of Ukraine;
  - ordered two studies on new telecommunication technologies.
- participated in six specialized international scientific and technical conferences where presented scientific reports;
- the representative of Ukrtelecom took part in the work of the International Telecommunication Union (United Nations unit) and coordinated the stream on standardization of fiber optic infrastructure;
- Experience of JSC "Ukrtelecom" regarding the requirements for optic couplings entered as an annex "Experience of Ukraine" to the International Standard L.201 ICE

- Strategic priorities of Ukrtelecom's development remain unchanged, i.e. to maintain leading positions in the telecom market of Ukraine in the long term by modernizing telecom network and developing it in the most promising locations and providing clients with a wide range of modern ICT services;
- Implementation of this task in 2021 was facilitated by realization of projects in three strategic directions of Ukrtelecom's business development:

1 Expansion and modernization of the telecom network

- Construction of new modern fiber optic networks;
- Modernization of the existing network.

2 Development of adjacent and additional business lines

- Cloud solutions, Smart home, cybersecurity, remote control network services (Smart Wi-Fi, SD WAN) etc;
- Lease of real estate, released in the process of telecom network modernization.

3 Further increase in operational efficiency

- Modernization of the service portfolio considering technological and market factors;
- Automation of business processes, modernization and implementation of new IT systems

Expansion and modernization of the telecom network

GPON SWAP

- Project on GPON network development in settlements with strong positions in fixed internet market. Switching existing ADSL subscribers to GPON and new sales. The project is realized in three stages.
- In 2021, the first stage of the project continued: 5.5 thousand km of fiber optic lines were built, the total coverage of 496 thousand households was reached and 58 k subscribers were connected.
- The second and third stages of the project are being implemented with EUR 12 million in funding from Iskratel and Slovenian banks. The first 290 customers of the second stage have already been connected in December 2021.

B2B Optics

- In 2021, Ukrtelecom became a leader in connecting social facilities, built fiber optic networks in 332 villages, where there was no fixed fiber optic Internet coverage before. There are 136 k households in the covered area.
- In 2021, the Company connected 568 medical institutions and 770 educational institutions to the fiber optic Internet, as well as 1,500 fiber optic Internet services in 159 united territorial communities (OTC).
- The number of new facilities and business concentration zones that gained access to fiber optic networks in 2021 is 271.

Expansion and modernization of the telecom network

Local modernization of telecom networks (LMTN)

- Long-term Program foresees modernization and releasing central office sites thanks to changes in service technologies:
  - switching existing xDSL subscribers to GPON and new sales;
  - switching fixed voice subscribers to FMC technology.
- In 2021, more than 15 k Internet subscribers were switched to a new fiber optic network within the Program.
- Furthermore, In 2021, 108 additional central office sites were included to the LMTN program.

Results of the Program implementation:

- Maintaining revenue from existing internet subscribers and generating additional revenue from new connections;
- Extra revenue from sale of released assets;
- Expansion of the list of real estate for lease;
- OPEX savings on running and repairing of the copper networks and equipment of traditional telephony.

Development of adjacent and additional business lines

ICT Services

- The number of lines of cloud PBX (vPBX) increased by 6% to 24.7 k in 2021;
- Revenue from the cyber defense service (anti-DDOS) increased by 12% in 2021;
- Also in 2021, the line of Microsoft products was expanded - the sales of Permanent Microsoft software have begun.

SaaS Tech Acceleration track Ukrtelecom – Sector X

- At the request of Ukrtelecom, the Sector X Acceleration Hub, which is a part of the Unit.City ecosystem, analyzed 342 potential candidates for the SaaS Tech track;
- Of these, 46 startups were considered by Ukrtelecom and three startups were selected for the track;
- As a result, the sale of the "Website Builder" service from the Shop Express partner was launched and preparations are underway to launch other products.

Development of adjacent and additional business lines

Lease of real estate

- Ukrtelecom’s real estate portfolio comprises 2.8 m m^2;
- During 2021, thanks to the implementation of modernization and optimization projects, additional 64 thousand m^2 were released.
- As of the end of 2021, 531 k m^2 were leased and 566 k m^2 not involved in operating activities were offered for rent;
- All objects offered to lease are posted on Ukrtelecom Real Estate website https://property.ukrtelecom.ua

UTrecharge Charging stations for electric vehicles

- Ukrtelecom provides a service for charging electric vehicles under the brand UTrecharge. The company considers this service promising in terms of supporting environment friendly technologies and efficient use of existing infrastructure;
- The Company also cooperates with partners IONITY and AutoEnterprise, which place their own charging stations on Ukrtelecom's real estate;
- In 2021, the total revenue from the service of charging electric vehicles amounted to more than one UAH million.

Automation of business processes, modernization and implementation of new IT systems

IT security

- In 2021, Ukrtelecom launched its own IT Security Operation Center (SOC) based on the ArcSight ESM solution, which became a center for collecting, analyzing and responding to information security incidents.

Substitution of contact center

- In September 2021, a 4-stage project to replace the contact center platform with the Genesis solution has begun. The project aims to improve the quality of customer service;
- In 2021, the first stage of the project "Design of a platform architecture and configuration of basic components" and a significant part of the tasks of the second stage “Set-up of the module "Outbound calls“ were completed.

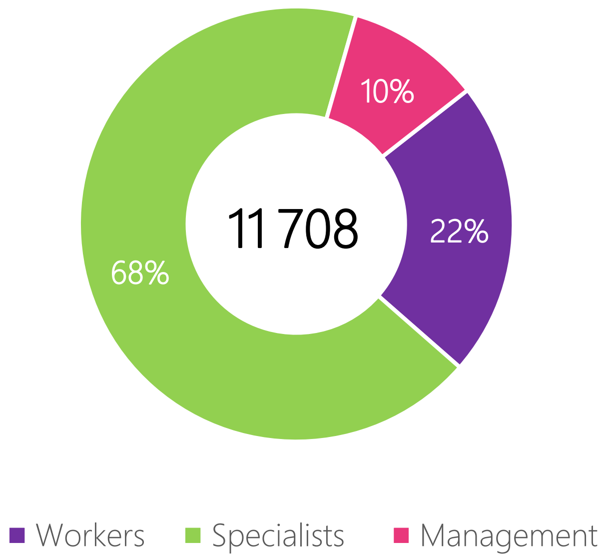
New billing implementation

- In December 2021, an agreement was signed with Lizard Soft LLC to implement a new billing system based on the flo.LIVE solution;
- Implementation of a new unified system will facilitate the management of the Company's product catalog and stimulate the rapid implementation of new services.

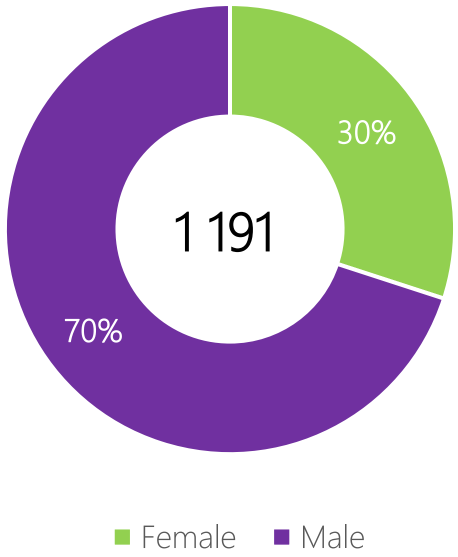
Human Resources

Ukrtelecom is the largest employer in the telecom industry of Ukraine

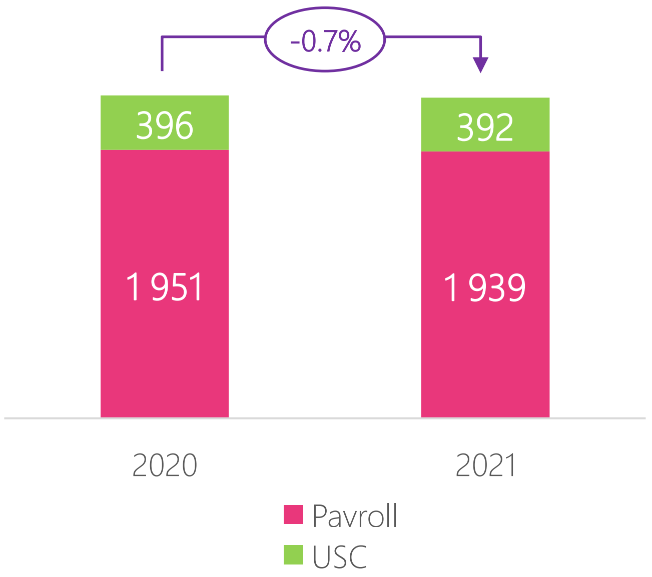
Structure of the Company's staff as of the end of 2021



Gender structure of managers as of the end of 2021



Payroll and charges, UAH m



- Ukrtelecom has a trade union organization which is a part of the Trade Union of Communication Workers of Ukraine;
- The management of Ukrtelecom and the United Trade Union Organization report on the implementation of terms of the collective agreement, which was fully executed in 2021.

Human Resources

Training and development projects

Group of employees	Program	Essence	Employees trained in 2021
Management	"Academy of Management"	Development of managerial skills of senior management	979
	"School of Management"	Development of managerial skills of middle management	
Sales specialists	B2C	Development of sales skills	1 138
	B2B	Development of sales skills	265
Technical and IT specialists	Technical training	Professional skills training	320
All employees	Corporate training	Development of corporate competencies	2 621
	Organization of external trainings	Training of professional skills by external providers upon business requests	110
Total classroom training			5 304
Remote classroom training in all areas of study			4 935
Mandatory training on labor safety			3 927

Labor protection

In 2021, Ukrtelecom fully complied with the requirements of the Ukrainian labor protection and fire safety legislation

Labor protection

- 485 declarations of compliance of material and technical base with the requirements of the legislation on labor protection were registered and 26 permits for operation of machines, mechanisms, high-risk equipment / high-risk work were obtained.
  85 comprehensive measures aimed at improving working conditions were implemented.
- Employees are provided with personal protection equipment (masks, antiseptics, etc.) totaling UAH 11.2 million.

Fire safety

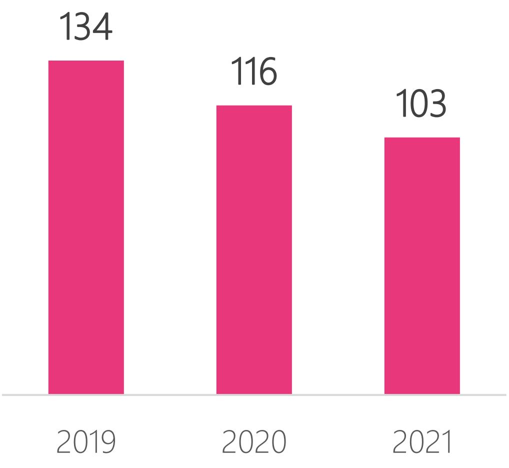
- 27 objects equipped with new fire protection systems.

Social contribution

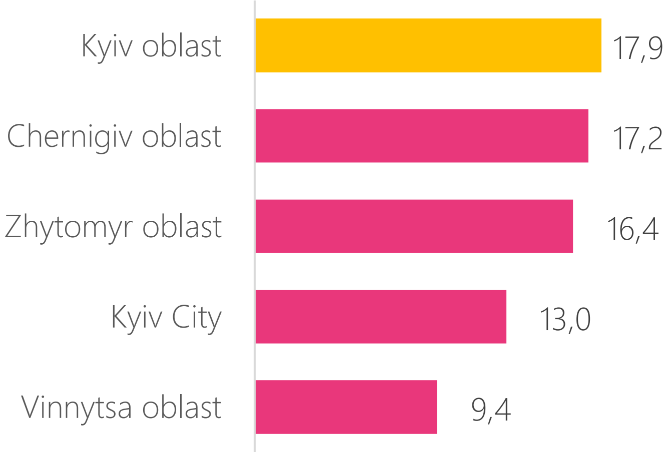
As part of its obligations to the state, Ukrtelecom provides telecom services to the privileged categories of citizens

Receivables for the services rendered to the privileged categories of citizens as of 31.12.2021

Receivables as of year end, UAH m



Largest debtors among local budgets, UAH m



- In accordance with the legislation of Ukraine, Ukrtelecom provides communication services to more than 400 k citizens of the privileged categories.
- Among them, there are:
  - Large families
  - War participants
  - ChNPP liquidators of the 1st and 2nd categories
  - Participants in hostilities
  - Persons with disabilities of groups I and II
  - Veterans of public services (firefighters, Ministry of Internal Affairs etc.)

As a socially responsible company, Ukrtelecom continues to provide telecom services to privileged categories of citizens despite significant debts of local budgets

ukrtelecom better starts today

Social contribution

"The Best with Ukrtelecom"

This is a social education project for students of the 2nd – 6th year of study at universities of Ukraine aimed at broadening the knowledge of participants about specifics of the telecommunication industry and general principles of management. Duration five weeks: four weeks of training in master classes and acquaintance with business areas, one week for the development of team projects in various fields of Ukrtelecom's business activity. The most successful project participants are offered internship with the company with the prospect of employment.

The educational project is a part of the UKRAINIAN PACT FOR YOUTH-2025 under the auspices of the UN, which promotes development and strengthening of cooperation between business community and education sector

Advantages

- Students of different majors receive experience in the largest telecommunication company of Ukraine;
- Students gain knowledge directly from practitioners who solve business tasks every day;
- Attraction of active, talented and motivated young professionals.

Achievements in 2021

1 team of participants was invited for an internship with the company with the task to develop and promote a social network page on behalf of Ukrtelecom

31 trainees gained their first work experience in a large national company

100 participants gained knowledge and skills to build their own career

Social contribution

- In 2021, Ukrtelecom was awarded by the Ministry of Youth and Sports of Ukraine for its significant contribution to the development of Ukrainian youth and active participation in the implementation of the Ukrainian Youth Pact - 2021;

- Ukrtelecom was ranked in TOP-25 Employers Open to Talent Under 25 for Support in Stud-Point Mission, Openness to Young Talents and Empowerment, Active Position and Work with Students, giving young people the opportunity to develop, for active position and work with students, for participation in the creation of 1,000,000 successful career stories;

- In 2021, Ukrtelecom successfully passed the certification from the KCB Development Center within the Dream and Act program: the Youth-Friendly Employer certification.

Company management

Chief Executive Officer	Yuriy Kurmaz
Chief Financial Officer	Lyubomyr Kotsyumbas
Chief Sales & Marketing Officer (B2C)	Denys Zakharenko
Chief Sales & Marketing Officer (B2B)	Mykola Davydenko
Chief Technical Officer	Dmytro Mykytyuk
Chief Information Officer	Kyrylo Honcharuk
Corporate Relations Officer	Ivan Kolomoiets
Human Resources Director	Tetyana Petruk
Business Support Director	Dmytro Omelchenko
Chief Security Officer	Mykola Potimko
Chief Strategy Officer	Ihor Yaremchuk
Head of Legal	Oleksandr Bilonozhko
Head of PR	Mykhailo Shuranov

Risk management

Risk management in the Company is based on an integrated system of internal analysis and control

To manage risks effectively, the following measures are implemented:

1	regular identification and assessment of risks that affect the achievement of strategic and operational objectives;
2	decisions are made considering the existing as well as potential risks and opportunities;
3	selection of the optimal risk management strategy accounting for the degree of impact and cost of management measures;
4	regular monitoring of the effectiveness of risk management measures.

Joint-Stock Company Ukrtelecom

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditors' Report

31 December 2021

CONTENTS

Independent Auditors' Report

To the Shareholders of Joint-Stock Company Ukrtelecom

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Joint-Stock Company Ukrtelecom (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet (consolidated statement of financial position) as at 31 December 2021, the consolidated income statement (consolidated statement of comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Law of Ukraine "*On accounting and financial statements in Ukraine*" regarding the preparation of consolidated financial statements.

Basis for Qualified Opinion

As disclosed in Note 3 to the consolidated financial statements the Group applies revaluation model to property, plant and equipment after initial recognition. IAS 16 *Property, plant and equipment* requires the entity to allocate revaluation increases and decreases to individual assets. However, the accounting records of the Group include insufficient details in relation to individual items of copper cables included in Ducts and Cables, which represent a subgroup of Specialised Assets, as disclosed in Note 6 to these consolidated financial statements. As a result, the Group has not made an accurate allocation of revaluation increases and decreases among individual assets included in Specialised Assets, and consequently revaluation increases and decreases between other income, other expenses and other related elements of profit or loss and other comprehensive income. It was impracticable for us to determine the extent the consolidated financial statements are misstated as a result of this matter, including the adjustments required to revaluation surplus, accumulated deficit as at 31 December 2021 and 31 December 2020 and to other income, other expenses, other related elements of profit or loss, net profit and other comprehensive income for the years then ended. Our

Entity: Joint-Stock Company Ukrtelecom

Registration No. in the Unified State Register of Legal Entities and Entrepreneurs of Ukraine 21560766

Independent auditor: PJSC KPMG Audit, a company incorporated under the Laws of Ukraine, a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Registration No. in the Unified State Register of Legal Entities and Entrepreneurs of Ukraine 31032100.

Registration No. in the Register of Auditors and Audit Organisations 2397.

Address: 32/2 Kniaziv Ostrozkykh Str. Kyiv, Ukraine 01010

audit opinion, issued on 20 April 2021, on prior year consolidated financial statements was modified in respect of this matter accordingly.

The Group has properties (buildings) that comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes (i.e. dual-use property). IAS 40 *Investment property* states that these portions should be accounted for separately if they could be sold separately (or leased out separately under a finance lease); otherwise, an entity shall account for such property as investment property only if an insignificant portion is held for own use. At that, management may need to apply judgement in determining whether portions of dual-use property should be accounted for separately and what constitutes 'insignificant'. As disclosed in Note 7, management made judgement that portions of dual-use property cannot be accounted for separately and the entire property is classified as investment property when own occupation of the total area of a property falls below 30%. The carrying amount of property classified as investment property using this principle is UAH 3,909,229 thousand as at 31 December 2021 (31 December 2020: UAH 2,857,811 thousand). In our view, this threshold is not insignificant. It was impracticable for us to determine the extent the consolidated financial statements are misstated as a result of this matter, including the reclassification adjustments required between the investment property and property, plant and equipment, adjustments to income tax payable, deferred tax, revaluation surplus and accumulated deficit as at 31 December 2021 and 31 December 2020 and to other income and other expenses, income tax expenses, net profit and other comprehensive income for the years then ended.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants International 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 consolidated 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 qualified opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management Report (but does not include the consolidated financial statements and our auditors' report thereon) obtained prior to the date of this independent auditors' report, and Annual Information of securities issuer, which we expect to obtain after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. As described in the *Basis for Qualified Opinion* section above, the consolidated financial statements are materially misstated with respect to property, plant and equipment, investment property, revaluation surplus, accumulated deficit, income tax payable and deferred tax as at 31 December 2021 and 31 December 2020 and other income and other expenses, income tax expenses, other related elements of profit or loss, net profit and other comprehensive income for the years then ended. We concluded that the Management Report is also misstated with respect to figures and other items included in Management Report as a result of the matter that gave rise to the qualification of our audit opinion.

When we read the Annual Information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which describes the adverse effects on the Group's operations of the military activities launched by the Russian Federation on the territory of Ukraine on 24 February 2022. As also stated in Note 1, these events or conditions, along with other matters as set forth in that Note, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters Incorporating the Most Significant Risks of Material Misstatements, Including Assessed Risk of Material Misstatements Due to Fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Basis for Qualified Opinion* and *Material Uncertainty Related to Going Concern* sections we have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue Recognition

Revenue for the year ended 31 December 2021: UAH 5,392,821 thousand; as at 31 December 2021, trade accounts receivable: UAH 311,210 thousand.

We refer to consolidated financial statements: Note 3 "Significant accounting policies, new standards and interpretations", Note 17 "Revenue", Note 9 "Trade accounts receivable".

The key audit matter	How the matter was addressed in our audit
During the year ended 31 December 2021, the Group's main revenue streams included provision of internet services, local calls and subscription-based fees, traffic-based fees for local calls to mobile and domestic long-distance calls and	Our audit procedures in respect of revenue recognition included the following: — Evaluation, with the involvement of our IT specialists, of the design and implementation of internal control system in

other telecommunications services. Revenue is a key measure used to evaluate the Group's performance. In addition, key management KPIs focus on financial results for the reporting period. Furthermore, for certain revenue streams, large volume of transactions and data are required to be recorded and processed by IT billing systems and therefore reliability of such system is critical for the revenue recognition related to revenue recognition. In the wake of these factors, we considered revenue recognition to be associated with a significant risk of material misstatement in the consolidated financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.	respect of revenue recognition, including controls over the functioning of billing systems; — Inspecting a sample of customer contracts concluded in the current year, to understand their key terms, including the terms of services and any variable consideration arrangements (discounts and bonuses); — Assessing the appropriateness of the transaction price allocation, including variable consideration, to performance obligations, and test of the design and implementation of respective internal controls; — Developing our own expectation with respect to revenues for the year based on their relationship to cash receipts and investigating significant differences, if any; — For a sample of customers, obtaining confirmations of the amounts due therefrom as at the reporting date and investigating any significant differences between the amounts confirmed and those recognized by the Group; — Tracing a sample of transactions with customers (with focus on those close to either end of the reporting period) to supporting documents like e.g. sales invoices, documents confirming performance of services or subsequent settlement. As part of the procedure, we challenged, among other things, the Group's determination of the timing of revenue recognition.

Carrying amount of investment property

For the year ended 31 December 2021, income from revaluation of investment property to fair value presented within other income amounted to UAH 95,957 thousand. As at 31 December 2021, investment property amounted to UAH 3,909,229 thousand. This key audit matter does not relate to the buildings with portion held for own use as described in the *Basis for Qualified Opinion* section above.

We refer to consolidated financial statements: Note 3 " Significant accounting policies, new standards and interpretations", Note 7 "Investment property", Note 25 "Other income".

The key audit matter	How the matter was addressed in our audit
As at 31 December 2021 the Group engaged an external appraiser to assess the fair value of investment property. The complexity of the valuation process and subjectivity of assumptions that involves management judgments, we identified this matter to be a key audit matter.	Our audit procedures in this area included: — We evaluated the professionalism and objectivity of the management's expert; we inspected the terms of engagement for any scope limitation imposed on the management's expert; — We involved our own valuation specialists to assist us in assessing the assumptions, data and methodology used for valuation of the Group's investment property. In particular, we evaluated, on a sample basis, reasonableness of selection of comparable properties, appropriateness of market prices of such comparable properties including adjustments applied thereto for locations and conditions of individual properties, and where applicable rental rates and capitalisation rate by reference to external market data; — We assessed adequacy of disclosures relevant to fair value of investment property.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Pursuant to the Article 14(4) of the Law of Ukraine "*On Audit of Financial Statements and Auditing*" and "*Requirements for information related to audit or review of financial statements of participants of capital markets and organized commodity markets, which are supervised by the National Securities and Stock Market Commission*" approved by the Resolution of the National Securities and Stock Market Commission (the "NSSMC") No. 555 dated 22 July 2021, we provide the following information in our Independent Auditors' Report in addition to ISAs' requirements.

Appointment of the Auditor and Period of Engagement

We were appointed by the Group's Supervisory Board on 14 May 2021 to audit the consolidated financial statements of the Group as at and for the year ended 31 December 2021. Our total uninterrupted period of audit engagements is 2 years, covering the years ended 31 December 2020 to 31 December 2021.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in the Article 6(4) of the Law of Ukraine "*On Audit of Financial Statements and Auditing*" were provided.

In addition, for the period to which our statutory audit relates, we have not provided any services to the Group in addition to the audit.

Additional Report to the Supervisory Board

We confirm that our auditors' report is consistent with the additional report to the Supervisory Board of the Group.

Reporting on the NSSMC's Requirements

- The audit of Joint-Stock Company Ukrtelecom was conducted in accordance with the addendum No. 2 to the Engagement Contract No. 109-SA/2020 dated 30 June 2021. The audit was performed from 7 September 2021 to the date of this report.
- Information on the ownership structure and the ultimate controlling party of the Company included in the Management Report is disclosed in accordance with the requirements of the "*Regulation on the form and content of the ownership structure*" approved by the Order of the Ministry of Finance of Ukraine No. 163 dated 19 March 2021.
- As at 31 December 2021 the Company is neither a controlling party, nor a member of non-banking financial group.
- The Company is a public interest entity in accordance with the Law of Ukraine "*On accounting and financial statements in Ukraine*".
- The list of subsidiaries of the Company is included in Note 3 to the consolidated financial statements.
- The Supervisory Board did not perform examination of the Company's financial performance for the year ended 31 December 2021.

Reporting on the Management Report

Solely based on the work we have performed in connection with our audit of the consolidated financial statements, in our opinion, the Management Report is consistent, in all material respects, with the consolidated financial statements. As described in the *Basis for Qualified Opinion* section above, the consolidated financial statements are materially misstated with respect to property, plant and equipment, investment property, revaluation surplus, accumulated deficit, deferred tax and income tax payable as at 31 December 2021 and 31 December 2020 and other income and other expenses, income tax expenses, other related elements of profit or loss, net profit and other comprehensive income for the years then ended. We concluded that the Management Report is also misstated with respect to figures and other items included in Management Report as a result of the matter that gave rise to the qualification of our audit opinion.

The engagement partner on the audit resulting in this independent auditors' report is:

Dmytro Aliiev
Registration No. 101462 in the Register of Auditors and Audit Organisations
Deputy Director
PJSC KPMG Audit
9 December 2022
Kyiv, Ukraine

		Date (year, month, day)	2021.12.31
Entity	JSC Ukrtelecom	EDRPOU	21560766
Location	Ukraine	KOATUU	8039100000
Form of ownership	Joint-Stock Company	KOPFG	230
State administration authority		SPODU	
Principal activity	Telecommunications	KVED	61.10
Average number of employees	12,934		
Measurement unit:	thousand UAH		
Address	18 Taras Shevchenko Blvd, Kyiv		
Prepared in accordance with (put "v" where appropriate):			
Provisions (standards) of Accounting in Ukraine			
International Financial Reporting Standards			V

Consolidated Balance Sheet (Consolidated Statement of Financial Position)

Form No. 1 DKUD Code 1801001

Assets	Line code	1 January 2020 (restated)	31 December 2020 (restated)	31 December 2021	Notes
1	2	3	4	5	6
I. Non-current assets					
Intangible assets:	1000	162,651	182,880	185,538	
historical cost	*1001*	584,539	590,144	664,201	
accumulated amortization	*1002*	(421,888)	(407,264)	(478,663)	
Construction in progress	1005	327,164	281,328	542,413	6
Property, plant and equipment:	1010	5,216,103	8,632,460	8,946,075	6
historical cost	*1011*	5,352,489	9,093,370	10,003,820	
accumulated depreciation	*1012*	(136,386)	(460,910)	(1,057,745)	
Investment property:	1015	3,245,684	2,857,811	3,909,229	7
historical cost	*1016*	3,245,684	2,857,811	3,909,229	
accumulated depreciation	*1017*	–	–	–	
Long-term financial investments:					
accounted for on an equity basis	*1030*	6	6	6	
other financial investments	*1035*	–	27,528	27,528	
Long-term receivables	1040	24	24	24	
Deferred tax assets	1045	52,618	–	–	26
Other non-current assets	1090	116,280	126,584	132,693	8
Total non-current assets	**1095**	**9,120,530**	**12,108,621**	**13,743,506**	
II. Current assets					
Inventories:	1100	131,079	132,959	201,102	
production supplies	*1101*	84,926	93,417	107,813	
finished goods	*1103*	4,936	3,451	8,910	
merchandise	*1104*	41,217	36,091	84,379	
Trade accounts receivable	1125	331,889	334,471	311,210	9
Taxes and other receivables:					
prepayments made	1130	81,629	50,930	62,978	
settlements with budget	1135	19,151	8,265	56,152	
including income tax	*1136*	–	875	4,714	
accrued income	1140	1,293	1,092	388	
receivables from subsidiaries	1146	–	–	–	
Other current receivables	1155	796,524	1,128,556	1,318,127	10
Current financial investments	1160	–	–	–	
Cash and cash equivalents	1165	395,788	739,565	313,861	27
Deferred expenses	1170	22,651	39,019	69,408	13
Other current assets	1190	69,761	84,876	117,446	8
Total current assets	**1195**	**1,849,765**	**2,519,733**	**2,450,672**	
III. Assets held for sale and disposal group	**1200**	**110**	**474**	**493**	
Total assets	**1300**	**10,970,405**	**14,628,828**	**16,194,671**	

The accompanying notes are an integral part of these consolidated financial statements.

Equity and liabilities	Code	1 January 2020 (restated)	31 December 2020 (restated)	31 December 2021	Notes
1	2	3	4	5	6
I. Equity					
Registered share capital	1400	4,681,562	4,681,562	4,681,562	11
Revaluation surplus	1405	9,321,080	10,222,554	11,321,378	11
Additional capital	1410	418,590	420,186	420,386	11
Reserves	1415	222,812	222,812	222,812	11
Accumulated deficit	1420	(7,719,411)	(5,576,727)	(4732,329)	11
Unpaid capital	1425	–	–	–	
Total equity	**1495**	**6,924,633**	**9,970,387**	**11,913,809**	
II. Non-current liabilities and provisions					
Deferred tax liabilities	1500	–	379,457	309,685	26
Long-term bank loans	1510	639,587	1,411,488	1,097,531	13
Other long-term liabilities	1515	970,048	1,107,711	860,200	14
Long-term provisions	1520	273,017	281,714	265,188	12
Total non-current liabilities and provisions	**1595**	**1,882,652**	**3,180,370**	**2,532,604**	
III. Current liabilities and provisions					
Short-term bank loans	1600	821,667	–	–	13
Current portion of long-term borrowings	1610	190,188	234,841	436,724	13
Trade and other payables	1615	364,843	420,817	545,498	15
Taxes and other payables:					
settlements with budget	1620	149,465	153,193	75,688	
including income tax	*1621*	14,801	64,796	–	
social charges (salary related)	1625	14,541	12,473	13,247	
settlements with employees	1630	55,026	50,671	51,927	
advances received	1635	101,053	115,328	87,582	
payables to shareholders	1640	1,897	1,897	1,897	
receivables from subsidiaries	1645	19	–	–	
Current provisions	1660	287,483	290,574	301,343	16
Deferred income	1665	20,256	23,574	31,287	
Other current liabilities	1690	156,682	174,703	203,065	14
Total current liabilities and provisions	**1695**	**2,163,120**	**1,478,071**	**1,748,258**	
IV. Liabilities associated with assets held for sale and disposal groups	**1700**	–	–	–	
Total assets	**1900**	**10,970,405**	**14,628,828**	**16,194,671**	

Authorised for issue and signed by

General Director	(signature)	Y.P. Kurmaz name	09 / 12 / 2022
Finance Director	(signature)	L.Y. Kotsyumbas name	09 / 12 / 2022
Chief Accountant	(signature)	D.I. Skliarevska name	09 / 12 / 2022

Україна * Акціонерне товариство * м. Київ «Укртелеком» Ідентифікаційний код 21560766

Total liabilities should be calculated as sum of lines 1595 and 1695 equalling UAH 4,280,862 thousand as at 31 December 2021 (31 December 2020: UAH 4,658,441 thousand; 1 January 2020: UAH 4,045,772 thousand).

Line 1510, Long-term bank loans under the caption Non-current liabilities and provisions in the amount of UAH 1,097,531 thousand (2020: UAH 1,411,488 thousand) comprises bank loans and loans from suppliers (Note 13).

Line 1515, Long-term bank loans under the caption Non-current liabilities and provisions in the amount of UAH 860,200 thousand (2020: UAH 1,107,711 thousand) and Line 1690, Other current liabilities under the caption Current liabilities and provisions in the amount of UAH 203,065 thousand (2020: UAH 174,703 thousand) comprise lease liabilities, performance obligations, obligations for bonds issued by the parent company and other liabilities (Note 14).

For detailed disclosure of changes made to the financial statements, see Note 4.

		Date (year, month, day)	2021.12.31
Entity	JSC Ukrtelecom	EDRPOU	21560766
Location	Ukraine	KOATUU	8039100000
State administration authority		SPODU	
Form of ownership	Joint-Stock Company	KOPFG	230
Principal activity	Telecommunications	KVED	61.10
Prepared in accordance with (put "v" where appropriate):			
Provisions (standards) of Accounting in Ukraine			
International Financial Reporting Standards			V
Measurement unit:	thousand UAH		

Consolidated Income Statement (Consolidated Statement of Comprehensive Income)

Form No. 2 DKUD Code 1801003

I. CONSOLIDATED INCOME STATEMENT

Item	Code	Reporting period – 2021	Prior period – 2020 (restated)	Notes
1	2	3	4	5
Revenue	2000	5,392,821	5,531,405	17
Cost of sales	2050	(4,127,388)	(3,723,072)	18
Gross:				
Profit	2090	1,265,433	1,808,333	
Loss	2095	–	–	
Other operating income	2120	1,131,444	689,542	22
Administrative expenses	2130	(962,992)	(933,342)	19
Selling expenses	2150	(374,606)	(374,340)	20
Other operating expenses	2180	(126,922)	(112,712)	21
Financial result from operations:				
Profit	2190	932,357	1,077,481	
Loss	2195	–	–	
Gain from share in associates	2200	–	–	
Finance income	2220	94,981	12,752	24
Other income	2240	289,316	1,999,980	25
Finance costs	2250	(533,374)	(589,695)	23
Loss from share in associates	2255	–	–	
Other expenses	2270	(16,529)	–	
Financial result from continuing activities before tax:				
Profit	2290	766,751	2,500,518	
Loss	2295	–	–	
Income tax (expense)/benefit	2300	(85,675)	(408,838)	26
Loss from discontinued operations after tax	2305	–	–	
Net financial result of operations:				
Profit	2350	681,076	2,091,680	
Loss	2355	–	–	

II. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Item	Code	Reporting period – 2021	Prior period – 2020 (restated)	Notes
1	2	3	4	5
Revaluation (impairment) of non-current assets	2400	1,211,353	1,180,743	5
Revaluation (impairment) of financial instruments	2405	–	–	
Accumulated translation differences	2410	200	1,596	
Share of other comprehensive income of associates and joint ventures	2415	–	–	
Other comprehensive income (loss)	2445	8,064	(38,336)	
Other comprehensive income (loss) before tax	**2450**	**1,219,617**	**1,144,003**	
Income tax related to other comprehensive income	2455	42,729	(189,929)	26
Other comprehensive income after tax	**2460**	**1,262,346**	**954,074**	
Total comprehensive income	**2465**	**1,943,422**	**3,045,754**	

The accompanying notes are an integral part of these consolidated financial statements.

Line 2400 “Revaluation (impairment) of non-current assets” includes UAH 1,211,353 thousand of gain on revaluation of property, plant and equipment that have been appraised by market approach (2020: UAH 544,001 thousand of gain on revaluation of property, plant and equipment that have been appraised by market approach and loss on revaluation of such property, plant and equipment of UAH 21,191 thousand, as well as the reversal of impairment loss of specialised assets in the amount of UAH 657,933 thousand).

Line 2445 “Other comprehensive income (loss)” in the amount of UAH 8,064 thousand of income (2020: loss of UAH 38,336 thousand) is represented by the actuarial gain on post-employment long-term benefit obligations (Note 12).

All items of other comprehensive income will not be subsequently reclassified to profit or loss.

For detailed disclosure of changes made to the financial statements, see Note 4.

III. ELEMENTS OF OPERATING EXPENSES

Item	Code	Reporting period – 2021	Prior period – 2020 (restated)	Notes
1	2	3	4	5
Materials and supplies	2500	907,150	756,531	
Salaries and related charges	2505	1,943,458	1,976,013	
Social charges	2510	392,707	406,613	
Depreciation	2515	1,045,308	670,024	
Other operating expenses	2520	1,360,743	1,334,285	
Total	**2550**	**5,649,366**	**5,143,466**	

IV. EARNINGS PER SHARE

Item	Code	Reporting period – 2021	Prior period – 2020 (restated)	Notes
1	2	3	4	5
Average annual number of ordinary shares	2600	18,726,248,000	18,726,248,000	11
Adjusted average annual number of ordinary shares	2605	18,726,248,000	18,726,248,000	11
Basic earnings (loss) per ordinary share, UAH	2610	0.0364	0.1117	
Diluted earnings (loss) per ordinary share, UAH	2615	0.0364	0.1117	
Dividend per ordinary share, UAH	2650	–	–	
Basic and diluted earnings (loss)				
per ordinary share from continued operations, UAH				
Basic and diluted earnings (loss)		–	–	
per ordinary share from discontinued operations, UAH				

Authorised for issue and signed by

General Director	(signature)	Y.P. Kurmaz name	09 / 12 / 2022
Finance Director	(signature)	L.Y. Kotsyumbas name	09 / 12 / 2022
Chief Accountant	(signature)	D.I. Skliarevska name	09 / 12 / 2022

Україна * Акціонерне товариство «Укртелеком» Ідентифікаційний код 21560766 м. Київ

	Date (year, month, day)		2021.12.31
Entity	JSC Ukrtelecom	EDRPOU	21560766
Location	Ukraine	KOATUU	8039100000
Form of ownership	Joint-Stock Company	KOPFG	230
Principal activity	Telecommunications	KVED	61.10
Prepared in accordance with (put "v" where appropriate):			
Provisions (standards) of Accounting in Ukraine			
International Financial Reporting Standards			V
Measurement unit: thousand UAH			

Consolidated Statement of Cash Flows (Direct Method)

Form No. 3

DKUD Code 1801004

Item	Line code	Reporting period – 2021	Prior period – 2020 (restated)
1	2	3	4
I. Cash flows from operating activities			
Proceeds from:			
Sale of goods and services	3000	5,698,200	5,966,507
Return of taxes and duties	3005	620	4,493
including VAT	*3006*	48	54
Target financing	3010	1,934	1,891
Prepayments from customers	3015	38,417	28,807
Return of advances	3020	8,653	14,578
Interests on current bank accounts	3025	–	–
Penalties, fines and forfeits	3035	–	–
Operating lease	3040	701,801	583,821
Other proceeds	3095	1,467,054	876,322
Expenditures for payment for:			
Settlements for goods and services	3100	(1,587,232)	(1,438,352)
Payments to employees	3105	(1,588,534)	(1,644,185)
Social charges	3110	(393,546)	(406,692)
Other taxes and duties payable	3115	(1,441,975)	(1,477,162)
Advances to suppliers	3135	(871,003)	(704,417)
Return of advances	3140	(6,057)	(12,852)
Other expenditures	3190	(187,672)	(218,954)
Net cash from operating activities	**3195**	**1,840,660**	**1,573,805**
II. Cash flows from investing activities			
Proceeds from sale of:			
Financial investments	3200	262	452
Non-current assets	3205	8,541	10,585
Proceeds from receipts of:			
Interest	3215	14,841	13,645
Dividends	3220	–	–
Derivatives	3225	–	–
Other proceeds	3250	13,503	19,956
Expenditures for acquisition of:			
Financial investments	3255	(6)	(21,282)
Non-current assets	3260	(998,452)	(674,907)
Expenses on derivatives	3270	–	–
Other payments	3290	–	–
Net cash from investing activities	**3295**	**(961,311)**	**(651,551)**

Item	Code	Reporting period – 2021	Prior period – 2020 (restated)
1	2	3	4
III. Cash flows from financing activities			
Proceeds from issuance of equity	3300	–	–
Loans and borrowings received	3305	1,195,673	100,964
Other proceeds	3340	–	–
Repurchase of treasury shares	3345	–	–
Repayment of loans and borrowings	3350	(2,099,129)	(417,179)
Dividends paid	3355	–	–
Interest paid	3360	(350,796)	(281,746)
Finance lease payments made	3365	(37,923)	(23,501)
Other payments	3390	–	–
Net cash from financing activities	**3395**	**(1,292,175)**	**(621,462)**
Net cash flows for the year	3400	**(412,826)**	**300,792**
Cash and cash equivalents at the beginning of the year	3405	740,442	396,343
Effect of change in exchange rates on cash and cash equivalents	3410	(12,999)	43,307
Cash and cash equivalents at the year-end	**3415**	**314,617**	**740,442**

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Chief Accountant	(signature)	D.I. Skliarevska name	09 / 12 / 2022

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«Укртелеком»
Ідентифікаційний код 21560766

Cash and cash equivalents in Cash Flow Statement (line 3415) exceeds the amount of Cash and cash equivalents in Statement of Financial Position (line 1165) by UAH 756 thousand (31 December 2020: UAH 877 thousand). The difference comprises the amount of allowance for expected credit losses recognized for Cash and cash equivalents in the Statement of Financial Position.

Line 3095 "Other proceeds" of the section "Cash flow from operating activities" includes cash proceeds from special state funds (Social Insurance Fund of Ukraine), loss indemnity, compensation of penalties and recovery of insurance payments.

Line 3115 “Other taxes and duties payable” of the section "Cash flow from operating activities” includes UAH 181,353 thousand of income tax paid (2020: UAH 117,572 thousand).

Line 3190 “Other expenditures” of the section "Cash flow from operating activities” in amount of UAH 187,672 thousand (2020: UAH 218,954 thousand) includes cash outflows under agency agreements, foreign currency purchase transactions, payments under the collective agreement, insurance payments and other cash outflows.

Line 3255 “Expenditure for the acquisition of financial investments” in the section “Cash flow from investing activities” for the year ended 31 December 2020 includes payments for acquisition of investment certificates, and repayment of the total value of securities in the amount of UAH 21,282 thousand.

For detailed disclosure of changes made to the financial statements, see Note 4.

		Date (year, month, day)	2021/12/31
Entity	JSC Ukrtelecom	EDRPOU	21560766
Location	Ukraine	KOATUU	8039100000
State administration authority		SPODU	
Form of ownership	Joint-Stock Company	KOPFG	230
Principal activity	Telecommunications	KVED	61.10
Prepared in accordance with (put "v" where appropriate):			
Provisions (standards) of Accounting in Ukraine			
International Financial Reporting Standards			V
Measurement unit:	thousand UAH		

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

Form No. 4

DKUD Code 1801005

Item	Line code	Registered share capital	Revaluation surplus	Additional capital	Other additional capital	Reserves	Accumulated deficit	Total
1	2	3	4	5	6	7	8	9
Balance as at 1 January 2021 (as previously reported)	**4000**	**4,681,562**	**10,254,530**	**420,186**	**–**	**222,812**	**(5,434,951)**	**10,144,139**
Adjustments: changes in accounting policy (Note 4)	4005	–	(31,976)	–	–	–	(56,593)	**(88,569)**
Correction of errors (Note 4)	4010	–	–	–	–	–	(85,183)	**(85,183)**
Other changes	4090	–	–	–	–	–	–	**–**
Restated balance as at 1 January 2021	**4095**	**4,681,562**	**10,222,554**	**420,186**	**–**	**222,812**	**(5,576,727)**	**9,970,387**
Net profit (loss) for the period	4100	–	–	–	–	–	681,076	**681,076**
Other comprehensive income (loss)	4110	–	1,255,127	200	–	–	7,019	**1,262,346**
Retained earnings distributed: distribution to shareholders (dividends)	4200	–	–	–	–	–	–	**–**
Reinvestment in share capital	4205	–	–	–	–	–	–	**–**
Allocations to reserves	4210	–	–	–	–	–	–	**–**
Shareholders contributions: equity contributions	4240	–	–	–	–	–	–	**–**
Capital repayment	4245	–	–	–	–	–	–	**–**
Capital withdrawals: repurchase of treasury shares (participatory interest)	4260	–	–	–	–	–	–	**–**
Reverse acquisition of treasury shares (participatory interest)	4265	–	–	–	–	–	–	**–**
Annulment of treasury shares (participatory interest)	4270	–	–	–	–	–	–	**–**
Equity divestment	4275	–	–	–	–	–	–	**–**
Other changes in equity	4290	–	(156,303)	–	–	–	156,303	**–**
Total changes in equity	**4295**	**–**	**1,098,824**	**200**	**–**	**–**	**844,398**	**1,943,422**
Balance as at 31 December 2021	**4300**	**4,681,562**	**11,321,378**	**420,386**	**–**	**222,812**	**(4,732,329)**	**11,913,809**

Authorised for issue and signed by

General Director	(signature)	Y.P. Kurmaz name	09 / 12 / 2022
Finance Director	(signature)	L.Y. Kotsyumbas name	09 / 12 / 2022
Chief Accountant	(signature)	D.I. Skliarevska name	09 / 12 / 2022

The accompanying notes are an integral part of these consolidated financial statements.

Entity	JSC Ukrtelecom	Date (year, month, day)	2020/12/31
Location	Ukraine	EDRPOU	21560766
State administration authority		KOATUU	8039100000
Form of ownership	Joint-Stock Company	SPODU	
Principal activity	Telecommunications	KOPFG	230
Prepared in accordance with (put "v" where appropriate):		KVED	61.10
Provisions (standards) of Accounting in Ukraine			
International Financial Reporting Standards			V
Measurement unit:	thousand UAH		

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

Form No. 4 DKUD Code 1801005

Item	Line code	Registered share capital	Revaluation surplus	Additional capital	Other additional capital	Reserves	Accumulated deficit	Total
1	2	3	4	5	6	7	8	9
Balance as at 1 January 2020 (as previously reported)	**4000**	**4,681,562**	**9,321,080**	**418,590**	**–**	**222,812**	**(7,689,762)**	**6,954,282**
Adjustments: changes in accounting policy (Note 4)	4005	–	–	–		–	(29,649)	(29,649)
Correction of errors	4010	–	–	–		–	–	–
Other changes	4090	–	–	–	–	–	–	–
Restated balance as at 1 January 2020	**4095**	**4,681,562**	**9,321,080**	**418,590**	**–**	**222,812**	**(7,719,411)**	**6,924,633**
Net profit (loss) for the period	4100	–	–	–	–	–	2,091,680	2,091,680
Other comprehensive income (loss)	4110	–	985,734	1,596	–	–	(33,256)	954,074
Retained earnings distributed: distribution to shareholders (dividends)	4200	–	–	–	–	–	–	–
Reinvestment in share capital	4205	–	–	–	–	–	–	–
Annulment of treasury shares (participatory interest)	4270	–	–	–	–	–	–	–
Equity divestment	4275	–	–	–	–	–	–	–
Other changes in equity	4290	–	(84,260)	–	–	–	84,260	–
Total changes in equity	**4295**	**–**	**901,474**	**1,596**	**–**	**–**	**2,142,684**	**3,045,754**
Balance as at 31 December 2020	**4300**	**4,681,562**	**10,222,554**	**420,186**	**–**	**222,812**	**(5,576,727)**	**9,970,387**

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General Director	(signature)	Y.P. Kurmaz name	09 / 12 / 2022
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The accompanying notes are an integral part of these consolidated financial statements.

1. Organisation structure and operations

Joint-Stock Company Ukrtelecom (the "Company") is the Ukraine's largest provider of fixed line telephony and internet services that operates telecommunication assets previously owned by the State of Ukraine. On 11 May 2011 as a part of the Ukrainian privatisation program LLC "ESU" ("ESU"), a subsidiary of Austrian company EPIC, acquired a 92.791% stake in the Company. On 30 September 2013, Ukrainian financial and industrial group System Capital Management ("SCM") acquired a 100% stake of "ESU".

As at 31 December 2021 the Company's shares are owned by LLC "ESU" (92.791%), other legal entities (5.862%), individuals (1.324%) and held by national depository (0.023%).

The consolidated financial statements for the year ended 31 December 2021 comprise the Group and its subsidiaries LLC "TriMob" and Ukrtel GmbH (together referred to as – the "Group"). The Group is controlled by its ultimate beneficiary Mr. Rinat Akhmetov. Related party transactions are detailed in Note 30.

The Group provides its customers with nearly all types of modern telecommunications services, in particular fixed-line voice services (international, long-distance and local telephony); data transmission services and VPN; Internet access services; hardware and virtual hosting; videoconferencing; IPTV and other telecommunications services.

Since 2016, the Group has been providing ICT services, including cloud PBX services, lease of cloud IT infrastructure, DDoS attack protection services.

The Group has an investment is subsidiary that deployed a mobile network using its IMT-2000 CDMA (UMTS/WCDMA) mobile license (commonly referred to as a 3G mobile license).

The Group's legal address is: 18, Taras Shevchenko Boulevard, Kyiv, Ukraine, 01601.

Ukrainian regulatory and business operating environment

In 2021, the Group operated on a regulated market. During 2021, tariffs were set by the National Commission on Regulation of Communications and Information ("NCRCI"), the Ukrainian telecommunications market regulator, in particular, for publicly accessible fixed line voice communication services (Note 17). Such tariffs for publicly accessible fixed line voice communication services may not necessarily reflect the costs of providing telecommunication services and required capital expenditures for network maintenance. This fact, together with other political, economic, tax and legal uncertainties in Ukraine, has and may continue to have implications on the Group's profitability and its ability to recover the carrying value of its non-current assets. From 1 January 2022, a new Law of Ukraine took an effect, whereby NCRCI was renamed to the National Commission for the State Regulation of Electronic Communications, Radiofrequency Spectrum and the Provision of Postal Services ('NCEC'), and the state regulation of tariffs for publicly accessible fixed line voice communication services was cancelled.

During 2021, NCRCI also regulated the fees for provision of telecommunication channels set by the operators that hold a monopolistic or dominant position on the market, charges for traffic transfer to telecommunication networks of operators that have a significant advantage on a certain traffic transfer services market or hold a monopolistic or dominant position on the telecommunication services market, and operators' fees for provision of cable ducts.

The Group conducts its operations in Ukraine. The Ukrainian economy while deemed to be of market status continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, certain structural imbalances, low capital market liquidity, relatively high inflation and a significant level of domestic and foreign state debt.

The inflation rate in Ukraine during 2021 increased to 10.0% (as compared to 5.0% in 2020). The exchange rate of Ukrainian hryvnia has shown slight revaluation against US dollar from 28.27 as at 31 December 2020 to 27.28 as at 31 December 2021. The National Bank of Ukraine's refinancing rate was increased from 6.0% to 9.0%, which caused a corresponding shift in the lending rates of commercial banks.

On 24 February 2022, Russian Federation launched a full-scale military invasion of Ukraine. The continuous aggression has already resulted in human casualties, massive population displacement, infrastructure damage and a general disruption of economic activity in Ukraine.

The war in Ukraine and related events have a significant impact on the economic, political and social environment in which the Group operates and on its operations.

During March-June 2022, certain territories of Kharkiv region, significant territories of Donetsk and Zaporizhzhia regions, and most of Lugansk and Kherson regions were temporarily occupied by the Russian army. As a result, the Group lost control over its property in April 2022 in 198 locations in Lugansk, 69 locations in Donetsk, 220 locations in Zaporizhzhya and 122 locations in Kharkiv regions, and later, in June 2022, in 276 settlements of Kherson region and ceased its business operations there.

1. Organisation structure and operations (continued)

In particular, the loss of control resulted from active military actions in these territories, the presence of enemy troops, the lack of communication with employees due to the termination of the operators' telecommunication networks, including the Group's network, and the lack of access of Group employees to corporate information systems (e-mail, automated systems, etc.). Due to such circumstances, the Group is unable to control the activities of its employees, communicate with them and, as a result, provide work to the employees in those locations. Also, the Group cannot guarantee proper and safe working conditions to the employees in accordance with the requirements of labor legislation of Ukraine, requirements for labor protection and industrial safety at workplaces.

The Group's employees constantly carry out restoration work and eliminate the consequences of damage to cable networks and emergency power outages of equipment as a result of the destruction caused by the Russian army.

In order to reduce the negative impact of war on the Group's operations and to ensure the sustainability of service after the start of a full-scale war, the Group built a new technological network structure with a high level of reservation of key trunk lines and core network equipment. In particular, the third core network node was built, additional trunk channels were organized using other operators' infrastructure, the capacity of own channels was increased and triple network reservation within regions was achieved. The external capacity of Internet channels was also increased through key European operators.

From the beginning of the full-scale war, the Group's IT infrastructure has been a constant target of cyber attacks. However, due to the Security Operations Center (SOC), which was put into operation in early 2022, the Group has repeatedly demonstrated its ability to respond to cyber incidents in a timely and efficient manner.

In general, the Group's critical infrastructure and national network continue to operate stably. As at the end of June 2022, permanent Internet access is provided in 87% of the settlements covered by Ukrtelecom's national network (unaudited).

The Group implements social and humanitarian projects, using its own buildings in the western part of Ukraine to accommodate employees and their families who moved from the places of hostilities.

The further development of the military and economic situation in Ukraine is extremely difficult to predict, and the above-mentioned circumstances may have a further negative impact on the economy of Ukraine and the Group's business, including the application of relevant accounting estimates and professional judgments in the preparation of consolidated financial statements (Note 2), the nature and consequences of which cannot be currently determined.

Management is taking appropriate measures to support the sustainability of the Group's business in the current circumstances These consolidated financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Group. The future operating conditions may differ from the management's current assessment.

Going concern

These consolidated financial statements have been prepared by management of the Group on a going concern basis. In making this professional judgment, management considered its financial condition, profitability of operations, as well as current plans and forecasts.

Under current circumstances, the Group continues its operations, and the Group's current assets exceeded its current liabilities as at 31 December 2021 and 30 June 2022 (unaudited). In addition, the Group had mainly positive cash flows from operating activities for the financial year ended 31 December 2021, and the 6 months ended 30 June 2022 (unaudited). However, total revenue for the first six months of 2022 decreased by 15.6% compared to the same period of 2021 (unaudited). As at the date these consolidated financial statements have been approved for issue, it is difficult to assess the financial impact of the military aggression on the Group's consolidated financial position and financial results in the future, except as for buildings, lost equipment and other assets in the temporarily occupied territories with a book value of more than UAH 600 million (unaudited).

In addition, as at 31 December 2021, the Group did not comply with the financial covenant for a loan with a domestic bank (Note 13), which gave the bank the right to demand immediate repayment of the principal amount of the loan of UAH 329,008 thousand and accrued interest of UAH 566 thousand. As a result, the total amount of UAH 329,008 thousand due to the domestic bank was classified as a current liability. As at 30 June 2022, this loan is presented as a long-term loan because the financial indicator that was not met is calculated on an annual basis, and the Group received a waiver of early repayment claim right from the lender after the reporting date.

In order to assess the Group's ability to continue as a going concern, management prepared a financial model for the forecast period of 12 months until 31 May 2023, which analyzed the possible impact of a negative departure of the key factors impacting the Group's performance from the parameters of the basic forecast (stress testing), namely: subscriber base, exchange rate, demand for commercial real estate, and cost of energy.

The base forecast provides for total payments of the principal amount of the debt and interest in accordance with the terms of the current loan agreements for the period from 1 June 2022 to 31 May 2023 in the amount of UAH 421,544 thousand without attracting additional bank financing. To ensure the fulfilment of financial obligations, management of the Group implements various initiatives aimed at improving the financial results. In particular, the implementation of the modernization and development of optical networks projects continues, the construction of the data centre infrastructure

1. Organisation structure and operations (continued)

has been started at the request of large corporate clients, and the implementation of a large-scale program for optimizing heating costs due to the transfer of a significant number of personnel to remote work during the heating season is planned, etc.

The results of the stress testing (the impact on the base forecast of net cash flow of a negative departure of key factors by 10%) are estimated below:

- Reduction of the fixed telephony subscriber base and B2C and B2B broadband access segments: UAH (119) million;
- Devaluation of the hryvnia: UAH (30) million.
- The base forecast predicts an exchange rate of UAH 36.57 to USD 1.00. The exchange rate of the hryvnia against foreign currencies affects both income (termination of incoming international voice traffic, sale prices of idle assets tied to copper and precious metal price quotations) and expenses (cost of outgoing international voice traffic, cost of technical support of telecommunications equipment and IT infrastructure, fuel and heating prices, capital investments, maintenance of financial obligations denominated in foreign currency);
- Reduction of leased out commercial spaces: UAH (9) million;
- Increase in the cost of energy (tariffs for electricity and heat, fuel prices): UAH (36) million.

The negative impact of the increase in the natural gas prices was not analyzed, as the Group concluded an agreement with Naftogaz of Ukraine for the purchase of natural gas in the amount necessary for the heating season at a fixed price.

The results of the stress testing indicate that during the forecast period the Group will be able to fulfil all of its financial obligations even in case of a simultaneous negative departure of all four key factors listed above.

Management also realises that any events of default under existing loan agreements, including but not limited to significant legal proceedings affecting the Group in adverse manner, may trigger a demand for early repayment of the loans. In such a case, taking into account the forecast financial results and the availability of liquid property on the Group's balance sheet, which can be pledged as collateral (in particular, investment property), the Group may apply an alternative plan for attracting funds through restructuring existing liabilities or attracting alternative bank financing.

Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances. Among other things:

- Management has taken steps to reduce operating costs through cost optimization. In particular, by negotiating significant discounts from Ukrainian and international suppliers;
- Management monitors the suppliers' ability to continue providing services and supplying goods. As at the date these consolidated financial statements have been approved for issue, there are no delays in the supply chain;

Based on the above assessment of the impact of a full-scale military invasion, the projected cash flows and the possibility of restructuring financial obligations, management assumed that going concern basis of accounting is appropriate for these consolidated financial statements.

However, as at the date these consolidated financial statements have been approved for issue, large-scale hostilities in Ukraine continue, with some escalation in the east of the country, and are already having a negative impact on the Group, primarily due to the inability to provide services in the occupied territories and the active displacement of the population to other countries. The continuation of the hostilities and martial law will lead to the extension of the current administrative restrictions imposed by the National Bank of Ukraine, such as a ban on any payments to foreign counterparties of the Group, as well as potential introduction of additional administrative restrictions by Ukrainian authorities. The continuation of the military conflict can lead to further disruption of the Group's supply chain and restrictions that may pose a threat to the Group's operations. In subsequent reporting periods, these factors may also lead to a potential significant impairment of the Group's assets.

Consequently, these circumstances indicate the existence of a material uncertainty that may cast significant doubt as to the ability of the Group to continue as a going concern. Therefore, the Group may be unable to realise its assets and settle its liabilities in the normal course of business. Taking into account the above assessment of the impact of a full-scale military invasion, projected cash flows and the possibility of restructuring financial obligations, management that going concern basis of accounting is appropriate for these consolidated financial statements.

Corporate governance

The Group's corporate governance bodies comprise the General Meeting of Shareholders, the Supervisory Board and the General Director.

The General Meeting is the Group's highest decision-making body in respect of any matters related to its business. The Annual General Meeting is convened every year and held no later than on the 30th day of April following the reporting year. All other General Meetings are deemed extraordinary.

1. Organisation structure and operations (continued)

The Supervisory Board protects the Shareholders' rights and oversees the General Director within its competence as defined by the Charter, Regulation on the Supervisory Board and Ukrainian law. The Supervisory Board decides on the matters as stipulated by Ukrainian law and the Charter, including those delegated by the General Meeting.

No matters within the sole competence of the Supervisory Board shall be decided upon by any corporate governance bodies of the Group other than the General Meeting except as in the cases provided by Ukrainian law.

The General Director, who is the Group's Chief Executive Officer, is the sole member of executive body of the Group. The General Director is in charge for the Group's day-to-day activities, acting on behalf and in the best interests of the Group without any power of attorney within the powers granted by the Charter.

As at 31 December 2021, the Group had an internal audit function responsible for internal control, risk management, and reporting directly to the Supervisory Board.

2. Basis of preparation of the consolidated financial statements

Basis of preparation of the consolidated financial statements

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), based on the historical cost approach, except as discussed in the significant accounting policies below, and the requirements of the Ukrainian legislation on financial reporting (Note 3).

The principal accounting policies used in the preparation of these consolidated financial statements are set out below. These accounting policies were applied consistently for all periods presented in the consolidated financial statements. New and amended standards applied by the Group are disclosed in Note 3.

For the presentation of basic forms of the consolidated financial statements (forms 1-4) the Group uses the format provided for by the current legislation of Ukraine.

Functional and presentation currency

The national currency of Ukraine is the Ukrainian hryvnia (UAH), which is the functional currency of the Group and its subsidiaries and the currency in which these consolidated financial statements are presented. All financial information presented in UAH is rounded to the nearest thousands, except when otherwise indicated.

Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of property, plant and equipment and construction in progress

The Group applies the revaluation model for measurement of property, plant and equipment after initial recognition, and performs revaluations with sufficient regularity so that the carrying amount of property, plant and equipment at each reporting date does not differ materially from its fair value. The latest valuation was carried out as at 31 December 2021 by an independent firm of appraisers, who hold a recognised and relevant professional qualification and who have relevant experience in the valuation of assets of similar categories, as well by internal experts with the relevant qualification and experience.

The fair value of specialised assets attributable to the telecommunication business segment, is determined using a depreciated replacement cost method (Level 3), since there is no information on their market values. The depreciated replacement cost is further tested for economic obsolescence using the discounted cash flow models (income approach, Level 3) and adjusted if the results obtained from the income approach are less than the figures calculated on the basis of depreciated replacement cost (that is, under conditions of economic obsolescence).

The fair value of non-specialised property, plant and equipment, represented mostly by buildings and constructions, is determined by reference to market values at the valuation date (Level 2).

The key estimates and judgements applied in the course of fair value measurements are as follows:

- Selection of the appropriate valuation premise for each class of the property, plant and equipment, and items within the class;
- Determination of the valuation inputs for economic obsolescence test; and
- Selection of market analogues for buildings and construction valued by market approach.

2. Basis of preparation of the consolidated financial statements (continued)

As disclosed in Note 6, the Group determined that telecommunication assets intended for release and buildings and construction of real estate business segment constitute separate classes of property, plant and equipment that are measured at fair values using the market approach. The reclassification of individual assets to these classes of property, plant and equipment requires significant management judgment and is based on the approved network modernization programs and various other strategic plans and initiatives. A failure to execute on those programs, plans and initiatives would require a reclassification of assets from these classes to the pool of specialized assets that may trigger a downward revision of their fair values in the future periods.

More details on the revaluation of property, plant and equipment, including a disclosure of key valuation inputs, are presented in Note 6. Changes in such inputs could have a material effect on the fair value of property, plant and equipment, which, however, is impracticable to quantify due to wide variety of assumptions and assets being valued (Note 6).

Valuation of other current receivables fair value

When the fair value of other current receivables (Note 10) cannot be measured based on the quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) models. The inputs to these models are taken from observable markets, where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgment include consideration of inputs, such as discount rates, credit ratings, maturities, income growth, debt levels, and more. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments in these consolidated financial statements.

3. Significant accounting policies, new standards and interpretations

New and amended standards

In the current year, new and amendments to IFRSs and interpretations have been issued by the International Accounting Standards Board ("IASB") that are obligatorily effective for the year 2021.

The application of the above amendments to IFRSs and interpretation has had no material effect on the Group's financial statements.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Consolidated subsidiaries include the following:

Name of the consolidated subsidiary	Country of incorporation	Activity	Actual % of ownership	
			2021	2020
Ukrtel GmbH	Germany	Telecommunications	100.0	100.0
LLC "TriMob"	Ukraine	Mobile telecommunications	100.0	100.0

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Interest in equity − accounted investees

The Group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Interests in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

3. Significant accounting policies, new standards and interpretations (continued)

Foreign currency transactions and balances

Transactions in foreign currencies are translated to UAH at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-measured to UAH at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-measured to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in re-measurement are recognised in consolidated income statement.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group's financial assets and financial liabilities are represented by cash and cash equivalents, trade and other accounts receivable, net, current financial investments, bank loans, bonds issued, trade accounts payable and other financial liabilities. The accounting policies for initial recognition and subsequent measurement of financial instruments are disclosed in the respective accounting policies set out below in this Note.

Financial assets and financial liabilities are initially recognised at fair value, except for accounts receivable arising from contracts with customers which are initially measured at nominal value, in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following criteria are measured subsequently at amortised cost (this category is the most relevant to the Group):

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit and loss (FVTPL).

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment review.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

3. Significant accounting policies, new standards and interpretations (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade accounts receivable and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Forward-looking information considered includes the future prospects of the industries in which the Group’s debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group’s operations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Default definition

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade accounts receivable, when the amounts are over three years past due, whichever occurs earlier. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures. Any recoveries made are recognised in profit or loss.

Credit impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For credit-impaired financial instruments, lifetime ECLs are included in the effective interest rate at origination. Any changes to the lifetime ECLs originally contained with the credit-adjusted effective interest rate are adjusted through profit and loss.

3. Significant accounting policies, new standards and interpretations (continued)

Derecognition of financial assets

The Group will derecognise a financial asset when it loses its contractual rights to the cash flows from the financial asset or when it transfers its rights to receive the cash flows from the contract as a result of an agreement that transfers substantially all the risks and benefits associated with the title to this financial asset to the other party, or when the Group neither transfers nor retains substantially all the risks and rewards associated with the title to the financial asset but has not retained control of the financial asset.

Financial liabilities

Initial recognition and measurement

The Group's financial liabilities include trade and other payables, loans and borrowings and other liabilities, including lease liabilities.

All financial liabilities are recognised initially at fair value and are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The financial liabilities are derecognised when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an repayment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new financial liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss.

Trade and other accounts receivable

Trade and other accounts receivable, net are measured at initial recognition at transaction price, and are subsequently measured at amortised cost using the effective interest rate method. Trade accounts receivable, net which are non-interest bearing, are stated at their nominal value.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and time deposits with an original maturity of less than three months from the date of acquisition.

Bank loans, corporate bonds issued and other long-term liabilities

Interest-bearing bank loans, bonds issued and other long-term liabilities are initially measured at fair value net of directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption amount is recognised over the term of the borrowings and recorded as finance costs.

Trade and other payables

Accounts payable are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Lease liabilities

The Group assesses whether a contract is or contains a lease, at inception of the contract.

The Group recognises lease liabilities, initially measured at the present value of future lease payments, in the consolidated statement of financial position, except for the short-term leases and leases of low-value items.

The election for short-term leases shall be made by class of underlying asset to which the right of use relates. A class of underlying asset is a grouping of underlying assets of a similar nature and use in an entity's operations. The election for leases for which the underlying asset is of low value can be made on a lease-by-lease basis.

3. Significant accounting policies, new standards and interpretations (continued)

The Group measures the lease liability at the present value of the fixed or in substance fixed lease payments that are not paid at the commencement date, discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment.

The lease liability is presented as part of Other long-term liabilities or Other current liabilities based on maturity. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group recognises interest on lease liabilities based on incremental borrowing rate, presented within interest expenses in the consolidated income statement.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or market rate, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- In the consolidated statement of cash flows the Group separates the total amount of cash paid into a principal portion and interest (both presented within financing activities).

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Property, plant and equipment

Property, plant and equipment and construction in progress are measured at fair value, as described below, less accumulated depreciation and impairment losses recognised after the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

Increases in the carrying amount arising from revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Decreases in prior fair value adjustments for the same asset decrease the previously recognised revaluation reserve through other comprehensive income. All other decreases are charged to the consolidated profit and loss statement. The revaluation reserve in equity is transferred directly to retained earnings when the surplus is realised on the retirement or disposal of the asset.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from the continued use of the asset. Gains and losses on disposals determined by comparing proceeds with carrying amount of property, plant and equipment that are recognised in the consolidated income statement.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is charged to the consolidated income statement on a straight-line basis to allocate the revalued amounts of individual assets to their residual value over the estimated remaining useful lives. Depreciation commences at the moment when assets are ready for use. The estimated initial useful lives are as follows:

Buildings and leasehold improvements	8-50 years
Switching and other network equipment	3-20 years
Ducts and cables	20-30 years
Radio and fixed link transmission equipment	15 years
Computer, office and other equipment	3-10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

3. Significant accounting policies, new standards and interpretations (continued)

Construction in progress represents the cost of property, plant and equipment, construction of which has not yet been completed. No depreciation is charged on such assets until they are ready for use.

Right-of-use assets

Right-of-use assets mainly represent the rent of premises for technological purposes, vehicles and places on towers for communication line clamps. The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position. Right-of-use assets are depreciated over the period of lease term. The depreciation starts at the commencement date of the lease. The Group recognises depreciation of right-of-use assets based on the lease term, presented within cost of sales in the consolidated statement of profit or loss.

Intangible assets

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Expenditures for internally generated intangible assets are recognised in profit or loss as an expense as incurred.

Subsequent expenditure on an intangible asset after its purchase or completion are recognised as an expense when incurred unless:

- It is probable that the expenditure would enable the asset to generate future economic benefits in excess of its originally assessed standard of performance; and
- The expenditure can be measured and attributed to the asset reliably.

Amortisation is calculated on the cost of the asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives are as follows:

Billing and other software	3-10 years
Other intangibles	3-10 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Investment property

Investment property is property held by the Group to earn rentals or for capital appreciation or both.

The Group’s investment property is formed by existing property as a result of a change in its use and transfer from owner occupied property to investment property. If the property comprises a portion that is held to earn rentals or for capital appreciation and another portion is held for use in the supply of telecommunication services or for administrative purposes, then the portions are accounted separately if they could be sold or leased out under a finance lease separately. Otherwise, the property is investment property only if insignificant portion (less than 30%) of this property is held for Group’s own use.

As of now, the appeal of the fulfilment of the parent company's privatization obligations is continuing, as a result of which any alienation of the Company's property is subject to approval by the State Property Fund of Ukraine. Because of the restrictions on alienation of real estate, the management has also concluded that there are restrictions on the finance leases of real estate that provide for the transfer of substantially all risks and rewards associated with the ownership of such real estate.

Due to the above restrictions, the Group transfers real estate items to the category of investment property when a small portion of such real estate is held for the Group's operational activities.

Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value to reflect market conditions at the reporting date. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition.

In the absence of current prices in an active market, the Group considers information from a variety of sources, including:

- Current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- Discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

3. Significant accounting policies, new standards and interpretations (continued)

Fair value of the Group's investment property is determined based on the valuations performed by independent appraisers, who hold recognised and relevant professional qualifications and who have recent experience in the valuation of property in the same location and category.

Earned rental income is recorded in profit or loss for the year within revenue. Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss for the year. Gains or losses on disposal of investment property are calculated as proceeds less the carrying amount.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost for accounting purposes. If an item of owner-occupied property becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation of property, plant and equipment. Any resulting increase in the carrying amount of the property is recognised in profit or loss for the year to the extent that it reverses a previous impairment loss, with any remaining increase credited directly to other comprehensive income. Any resulting decrease in the carrying amount of the property is initially charged against any revaluation surplus previously recognised in other comprehensive income, with any remaining decrease charged to profit or loss for the year as impairment.

Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the specific identification principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Prepayments

Prepayments are carried at cost less allowance for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when a prepayment relates to an asset, which will be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Impairment of non-financial assets

The carrying amounts of non-financial assets, other than inventories, deferred expenses and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in profit or loss. Impairment losses of revalued assets are treated as a revaluation decrease and recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the same asset. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3. Significant accounting policies, new standards and interpretations (continued)

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including Ukrainian's State pension fund, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plan

The Group participates in a mandatory State defined retirement benefit plan, which provides for early pension benefits for employees working in certain workplaces with hazardous and unhealthy working conditions. The Group also provides lump sum benefits upon retirement subject to certain conditions, as well as some other long-term employee benefits. The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the reporting date.

The defined benefit obligation is calculated annually by professional actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. Past service costs and current service costs are recognised immediately in profit or loss. Defined benefit plan is not financed.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months from the end of the reporting period, then they are discounted.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as a finance cost.

Revenue

Revenue from contracts with customers is recognized when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

As such, revenues from contracts with customers of telecommunications services, including voice, access to Internet, transit of traffic, interconnect, access to network are generally recognised over time during which the services are provided to customers.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service. As such, revenues from sales of goods are recognised at a point in time when the goods are delivered to the customers and when the control over the goods have been transferred to the customers.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer, but the right is conditioned on the Group's future performance. A contract asset is transferred to accounts receivable when the right becomes unconditional. A contract asset is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

3. Significant accounting policies, new standards and interpretations (continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. When the Group receives an advance payment before the performance obligation is satisfied, this will give rise to a contract liability, until the operating revenues recognised on the relevant contract exceed the amount of the advance payment.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

Certain fees and commissions incurred by the Group paid or payable to third parties (agent fees for connection of fixed telephony or internet services, as well as the fees of technical contractors for connection of customers), whose activities resulted in customers entering into sale agreements for the Group's telecommunications service, are qualified as incremental costs. The Group recognises such costs as an asset, included in other assets, if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis over the estimated customer's relationships period.

Expenses

Social expenditure

The Group's deductions for social programs are recognised in the consolidated profit and loss statement in the period in which they are incurred.

Finance income and costs

Finance income comprises gain on extinguishment of debt, unwinding of discount on initial recognition of financial assets, interest income and foreign exchange gain. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on loans and borrowings, interest on employment benefits, foreign exchange loss and other finance costs.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Gain and loss on foreign currency exchange differences, arising on transactions and balances in foreign currencies, are accounted on a net basis as finance income or finance costs, depending on the dynamics of exchange rates, which leads to profit or loss.

Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current income tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but

3. Significant accounting policies, new standards and interpretations (continued)

they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. Interests and penalties on tax liabilities, if any, would be recorded in income tax expense. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

Earnings per share

Earnings per share are determined by dividing the profit or loss attributable to owners of the Group by the weighted average number of participating shares outstanding during the reporting year.

Segment information

The Group determines operating segments based on the information that is provided internally to the Director, who is the Group's chief operating decision maker in accordance with IFRS 8 *Operating Segments*.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Director of the Group to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Director of the Group include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets.

Non-reciprocal transactions

Transactions between unrelated parties are presumed to be exchanges of equal fair values. The Group from time to time is engaged in particular transactions with the owner in its capacity as owner, at prices that may differ from fair value. This includes, but not limited to loans issued at non-market interest rates and other. The Group accounts for the effect of such transactions directly in equity as distribution to or contribution from shareholders, in accordance with their substance. During 2021, there were no such transactions.

Contingent assets and liabilities

Contingent asset is not recognised in the consolidated financial statements. Relevant information is disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the consolidated 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. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Standards and Interpretations in issue but not effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, as well as amendments to the Standards were in issue but not yet effective: The Group has no plans to apply these standards early.

Standards and Interpretations	Effective for annual period beginning on or after
Amendments to IAS 16 "Accounting for Proceeds before Intended Use"	1 January 2022
Amendments to IFRSs Annual Improvements to IFRS Standards 2018-2020.	1 January 2022
Amendment to IFRS 37 "Onerous Contracts - Cost of Fulfilment of Contract"	1 January 2022
Amendments to IFRS 3 "References to Conceptual Framework"	1 January 2022
Amendments to IAS 1: Classification of liabilities as short-term or long-term liabilities	1 January 2023
Amendments to IFRS 3 "References to Conceptual Framework"	1 January 2022
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Amendments to IAS 8 Definition of Accounting Estimates.	1 January 2023
Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not determined

For these Standards and Interpretations management anticipates that their adoption will not have a material effect on the consolidated financial statements of the Group in future periods.

4. Changes in the accounting policies and presentation

4.1. Changes of accounting policies and correction of errors

(i) Lease recognition in accordance with IFRS 16 (places on towers for fibre-optic communication line clamps)

As a result of adoption of IFRS 16 from 1 January 2019, the Group changed its approach to accounting for leases previously classified as operating lease under IAS 17, which were not recognized in the financial position statement. The Group recognised right-of-use assets for the leases of technical premises and infrastructure facilities (included in property, plant and equipment) and corresponding lease liabilities (presented in other long-term liabilities and other current liabilities depending on the payment terms). The Group decided to use exemption from recognition of low value assets.

In connection with the active expansion of the fiber-optic network and a significant increase in the number of lease agreements for the Group's telecommunications equipment and, accordingly, the expenses for such leases, the Group decided to change its accounting policy in terms of the exemption from recognition of low value assets. Given that the election for leases for which the underlying asset is of low value can be made on a case-by-case basis, the Group has decided to recognize right-of-use assets and related liabilities for the lease of telecommunications equipment towers.

The Group applied these changes retrospectively in accordance with the requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and recalculated the input data. The effect of the review resulted an increase in the rights-of-use assets and lease liabilities as at 1 January 2019 by UAH 5,524 thousand.

(in thousands of Ukrainian hryvnias)	Line code	Nature of adjustment	1 January 2020	31 December 2020
Financial statements line items affected				
Property, plant and equipment (increase)	1011	Initial cost increase on right-of-use assets	-	5,232
Property, plant and equipment (depreciation)	1012	Increase in depreciation charge	-	(5,232)
Revaluation surplus	1405	Cumulative effect of correction at each reporting date	-	31,976
Accumulated deficit (increase)	1420	Cumulative effect of correction at each reporting date	29,649	56,593
Deferred tax liabilities	1500	Adjustments to deferred tax liabilities	-	16,043
Other long-term liabilities (increase)	1515	Adjustments to other non-current liabilities	(23,644)	(83,843)
Other current liabilities (increase)	1690	Adjustments to other current liabilities	(6,005)	(20,769)

The change in the accounting policy resulted in a decrease in cost in the amount of UAH 11,292 thousand (including the increase in depreciation charges by UAH 5,232 thousand and decrease in other operating expenses by UAH 16,524 thousand), an increase in other operating income by UAH 1,192 thousand, an increase in finance expenses by UAH 12,772 thousand, a decrease of other income by UAH 35,680 thousand and income tax expenses by UAH 9,024 thousand for the year ended 31 December 2020.

(ii) Fair value of the receivables due from parent company

As at 31 December 2021 and 2020, other current receivables mostly included bonds issued by the parent company, LLC “ESU”, redemption period for which lapsed in 2017, overdue interest-free loans granted to the parent company, LLC “ESU”, and other receivables due from the parent company.

The fair value of receivables due from the parent company was determined based on the assumption that LLC “ESU” will undergo a liquidation process whereby it will sell its investment in the Group (92.791% of ordinary shares) and distribute the proceeds among all its creditors. Therefore, the fair value of the receivables due from the parent company is derived from the estimated Company’s market value, that is part of the Group, determined using the discounted cash flow model (Level 3). One of the key factors impacting the receivables due from parent company fair value determination is the discount rate.

As at 31 December 2020, the Group erroneously used the average deposit rate as the basis for determining the average market discount rate, rather than the higher yield rate on domestic government bonds of Ukraine, which resulted in an understatement of the discount rate.

Management adjusted comparative information In the consolidated financial statements for the year ended 31 December 2021 using the correct discount rate as at 31 December 2020, which resulted in a decrease in other receivables as at 31 December 2020 in the amount of UAH 85,183 thousand.

4.1. Changes in accounting policies and correction of errors (continued)

(in thousands of Ukrainian hryvnias)	Line code	Nature of adjustment	1 January 2020	31 December 2020
Financial statements line items affected				
Other current receivables	1155	Decrease in the carrying amount of debt	-	(85,183)
Accumulated deficit (decrease)	1420	Accumulated effect of correction	-	85,183

The correction of the error also resulted in a decrease of the gain on reversal of Due from parent in the amount of UAH 85,183 thousand for the year ended 31 December 2020.

The cumulative effect of the corrections on the Group's on the consolidated financial statements is as follows:

(in thousands of Ukrainian hryvnias)	Line code	1 January 2020 (as previously reported)	Corrections	1 January 2020 (restated)	31 December 2020 (as previously reported)	Corrections	31 December 2020 (restated)
Financial statements line items affected							
Property, plant and equipment	1011	5,352,489	-	5,352,489	9,088,138	5,232	9,093,370
Property, plant and equipment (depreciation)	1012	(136,386)	-	(136,386)	(455,678)	(5,232)	(460,910)
Total non-current assets	**1095**	**9,120,530**	**-**	**9,120,530**	**12,108,621**	**-**	**12,108,621**
Other current receivables	1155	796,524	-	793,549	1,210,970	(85,183)	1,125,787
Total current assets	**1195**	**13,638,146**	**-**	**1,849,765**	**2,604,916**	**(85,183)**	**2,519,733**
Revaluation surplus	1405	9,321,080	-	9,321,080	10,254,530	(31,976)	10,222,554
Accumulated deficit	1420	(7,689,762)	(29,649)	(7,719,411)	(5,434,951)	(141,776)	(5,576,727)
Total equity	**1495**	**6,954,282**	**(29,649)**	**6,924,633**	**10,144,139**	**(173,752)**	**9,970,387**
Deferred tax liabilities	1500	-	-	-	395,500	(16,043)	379,457
Other non-current liabilities	1515	946,404	23,644	970,048	1,023,868	83,843	1,107,711
Total non-current liabilities	**1595**	**1,859,008**	**23,644**	**1,882,652**	**3,112,570**	**67,800**	**3,180,370**
Other current liabilities	1690	150,677	6,005	156,682	153,934	20,769	174,703
Total current liabilities	**1695**	**2,157,115**	**6,005**	**2,163,120**	**1,457,302**	**20,769**	**1,478,071**

The cumulative effect of corrections on the statement of comprehensive income for the year ended 31 December 2020 was as follows:

(in thousands of Ukrainian hryvnias)	Line code	Note	31 December 2020 (as previously reported)	Corrections	31 December 2020 (restated)
Financial statements line items affected					
Financial results					
Cost of sales	2050	(i)	(3,734,364)	11,292	(3,723,072)
Gross profit	**2090**	(i)	**1,797,041**	**11,292**	**1,808,333**
Other operating income	2120	(i)	721,923	1,192	723,115
Financial result from operations:					
Profit	**2190**	(i)	**1,064,997**	**12,484**	**1,077,481**
Other revenue	2240	(i)	2,120,843	(120,863)	1,999,980
Finance costs	2250	(i)	(576,923)	(12,772)	(589,695)
Financial result from continuing activities before tax					
Profit	**2190**	**(i)**	**2,621,669**	**(121,151)**	**2,500,518**
Income tax expense (benefit)	2300	(i)	(417,862)	9,024	(408,838)
Net financial result of operations					
Profit	**2350**	**(i)**	**2,203,807**	**(112,127)**	**2,091,680**
Revaluation (impairment) of non-current assets	2400	**(i)**	1,219,738	(38,995)	1,180,743
Income tax related to other comprehensive income	2455	**(i)**	(196,948)	7,019	(189,929)
Total comprehensive income	**2465**	**(i)**	**3,189,857**	**(144,103)**	**3,045,754**

4.1. Changes in accounting policies and correction of errors (continued)

The cumulative effect of the corrections resulted in a decrease in basic earnings per ordinary share by UAH 0.0060 a year for the year ended 31 December 2020.

The cumulative effect on the Group cash flows from operating, investing and financing activities is presented below:

(in thousands of Ukrainian hryvnias)	**Line code**	**Note**	**31 December 2020 (as previously reported)**	**Corrections**	**31 December 2020 (restated)**
Payments for purchase of goods and services	3100	(i)	(1,454,876)	16,524	(1,438,352)
Net cash from operating activities	**3195**	**(i)**	**1,557,281**	**16,524**	**1,573,805**
Interest paid	3360	(i)	(268,974)	(12,772)	(281,746)
Finance lease	3365	(i)	(19,749)	(3,752)	(23,501)
Net cash from financing activities	**3395**	**(i)**	**(604,938)**	**(16,524)**	**(621,462)**

4.2. Changes in presentation

In 2021, the Group changed the presentation of revenues to provide more correct presentation of revenues from contracts with customers to which other revenues from long-distance telephony (800-50 code) relates. The Group believes that such change will provide more detailed disclosure of revenues.

The comparative information for 2020 is presented respectively to provide their comparability with the current year's data.

The effect of the changes on the revenue items (Note 17) is summarised below:

(in thousands of Ukrainian hryvnias)	**2020 (as previously reported)**	**Effect of changes in presentation**	**2020 (after change in presentation)**
Revenue from contracts with customers			
Internet services	2,052,851		2,052,851
Local calls and subscription-based fees	1,677,550	(74,304)	1,603,246
Traffic-based fees for local calls to mobile and domestic long-distance calls	456,856		456,856
Services to foreign operators	243,250		243,250
Income from mobile communications segments	132,874		132,874
Fees for use of lines and channels, incoming calls and transit of telephone traffic	131,032		131,032
Revenue from fixed line radio points	100,670		100,670
Fees for use of cable ducts	85,974		85,974
Other revenues from long-distance telephony	-	74,304	74,304
Connection fee (Note 14)	79,886		79,886
International traffic	43,852		43,852
Revenue from sale of goods	2,807		2,807
Other revenue	43,743		43,743
Total revenue from contracts with customers	**5,051,345**	**-**	**5,051,345**
Other revenue			
Revenue from operating leases of assets	480,060	-	480,060
Total other revenue	**480,060**	**-**	**480,060**
Total revenue	**5,531,405**	**-**	**5,531,405**

5. Segment information

The Group identified three reporting segments based on its products and services, as described below. The main business segments offer different services, and are managed separately as they apply to different clients' needs, different technology and marketing strategies:

- Fixed line telecommunications.
- Mobile telecommunications. This segment is presented by the investment in subsidiary LLC "TriMob"
- Real estate management segment, which earns revenues from lease of properties owned by the Group, includes investment property and marketable buildings, valued by market approach (Note 6).

The chief operating decision makers (CODM) presented by the Director of the Group and senior management team analyze and review monthly and quarterly results of the Group's business segments separately based on nature of services. The CODM evaluate the segment's performance based on revenue and adjusted EBITDA (financial result from operations before depreciation and amortisation). The CODM do not analyze assets and liabilities by reporting segments on a monthly basis, and such review is performed annually.

Segment results, assets and liabilities include items directly attributable to a segment and measured using the same principles as used for financial statements of the Group.

The performance of real estate segment is monitored mainly based on revenue indicators. The Group's financial results from other continuing activities, including Finance costs and income, Other expenses, and Income tax, are monitored on a Group level and are not allocated to individual operating segments.

The Group's revenue streams are disclosed in Note 17.

Geographical information

Substantially all of the Group's non-current assets are located in Ukraine. The Group receives revenues from the services to foreign operators of various countries, which for the year ended 31 December 2021 amount to UAH 182,589 thousand (31 December 2020: UAH 243,250 thousand) (Note 17). Management considers all revenue, including revenue from services to operators located in foreign countries, as revenue generated in Ukraine.

Major customers

During 2021 and 2020, no individual customer represented more than 10% of the Group's total revenue.

Below is information about reporting segments:

(in thousands of Ukrainian hryvnias)	**Fixed line telecommunications**		**Real estate management**		**Mobile telecommunications**		**Total**	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Revenue	4,658,405	4,963,166	570,679	435,365	163,737	132,874	**5,392,821**	**5,531,405**
Adjusted EBITDA	1,528,491	1,418,822	349,475	302,267	55,752	(7,838)	**1,933,718**	**1,713,251**
Depreciation	(1,021,525)	(532,297)	(23,783)	(136,376)	-	(1,351)	**(1,045,308)**	**(670,024)**
Revaluation recognised in profit and loss	(16,529)	1,197,665	95,957	420,029	-	–	**79,428**	**1,617,694**
Revaluation recognised in other comprehensive income	112,024	813,514	1,099,329	367,229	-	–	**1,211,353**	**1,180,743**
Reportable segment assets	8,782,411	8,397,023	7,251,963	6,148,303	160,297	83,502	**16,194,671**	**14,628,828**
Capital expenditure	(882,608)	(693,546)	–	–	(75)	(2,520)	**(882,683)**	**(696,066)**

6. Property, plant and equipment

Movements in property, plant and equipment and construction in progress were as follows:

(in thousands of Ukrainian hryvnias)	**Buildings and leasehold improvements**	**Buildings and constructions of real estate business segment**	**Switching and other network equipment**	**Ducts and cables**	**Telecommunication assets intended for release**	**Radio and fixed link transmission equipment**	**Computer, office and other equipment**	**Construction in progress**	**Right-of-use assets**	**Total**
Revalued amount at 31 December 2019	**632,525**	**2,248,456**	**655,616**	**1,137,453**	**147,520**	**35,728**	**448,694**	**327,164**	**46,497**	**5,679,653**
Accumulated depreciation	–	–	–	–	–	–	(136,386)	–	–	**(136,386)**
Carrying value at 31 December 2019	**632,525**	**2,248,456**	**655,616**	**1,137,453**	**147,520**	**35,728**	**312,308**	**327,164**	**46,497**	**5,543,267**
Additions	484	–	–	206	–	–	74,629	588,219	114,716	**778,254**
Transfers between groups	5,602	2,375	245,473	350,015	3,077	13,507	114,047	(626,249)	–	**107,847**
Transfers from/(to) investment property	3,190	808,163	–	–	–	–	–	(4,283)	–	**807,070**
Disposals	–	(187)	(4,007)	(5,468)	(75,084)	(54)	(3,325)	(3,497)	(139)	**(91,761)**
Depreciation charge	(9,049)	(136,376)	(113,526)	(100,409)	(876)	(5,173)	(121,900)	–	(14,974)	**(502,283)**
Revaluation	446,826	368,061	319,720	704,828	154,782	13,527	88,985	(26)	174,691	**2,271,394**
Carrying value at 31 December 2020 (restated)	**1,079,578**	**3,290,492**	**1,103,276**	**2,086,625**	**229,419**	**57,535**	**464,744**	**281,328**	**320,791**	**8,913,788**
Revalued amount at 31 December 2020 (restated)	**1,088,627**	**3,290,492**	**1,222,059**	**2,193,783**	**229,419**	**63,305**	**669,920**	**281,328**	**335,765**	**9,374,698**
Accumulated depreciation (restated)	(9,049)	–	(118,783)	(107,158)	–	(5,770)	(205,176)	–	(14,974)	**(460,910)**
Carrying value at 31 December 2020 (restated)	**1,079,578**	**3,290,492**	**1,103,276**	**2,086,625**	**229,419**	**57,535**	**464,744**	**281,328**	**320,791**	**8,913,788**
Additions	–	–	–	4,611	–	–	88,820	882,683	431,233	**1,407,347**
Transfers between groups	(97,888)	115,170	110,927	413,400	10,469	15,112	43,391	(609,368)	–	**1,213**
Transfers from/(to) investment property	–	(955,597)	–	–	–	–	–	–	–	**(955,597)**
Disposals	(960)	(19)	(14,497)	(27,486)	(134,435)	(486)	(1,415)	(4,015)	(22,508)	**(205,821)**
Depreciation charge	(23,783)	(206,641)	(193,473)	(203,004)	(18)	(10,995)	(155,848)	–	(65,355)	**(859,117)**
Revaluation	–	1,099,329	–	(14,149)	109,710	–	–	(8,215)	–	**1,186,675**
Carrying amount at 31 December 2021	**956,947**	**3,342,734**	**1,006,233**	**2,259,997**	**215,145**	**61,166**	**439,692**	**542,413**	**664,161**	**9,488,488**
Revalued amount at 31 December 2021	**988,940**	**3,342,734**	**1,330,652**	**2,554,797**	**215,145**	**78,181**	**753,646**	**542,413**	**739,725**	**10,546,233**
Accumulated depreciation	(31,993)	–	(324,419)	(294,800)	–	(17,015)	(313,954)	–	(75,564)	**(1,057,745)**
Carrying amount at 31 December 2021	**956,947**	**3,342,734**	**1,006,233**	**2,259,997**	**215,145**	**61,166**	**439,692**	**542,413**	**664,161**	**9,488,488**

(*) Acquired or constructed assets are initially recorded as "Construction in progress" category and are transferred to particular categories when ready for use and put into operation. Transfers also comprise reclassifications of certain items primarily between "Switching and other network equipment", "Ducts and Cables" and "Telecommunication assets intended for release" categories.

6. Property, plant and equipment (continued)

The Group recognised the right-of-use assets for all its leases, except for leases, for which the payments are variable, short-term leases and leases of low-value items.

The following are the amounts recognised in profit and loss on all leases:

Right-of-use asset

(in thousands of Ukrainian hryvnias)	**2021**	**2020 (restated)**
Depreciation expense of right-of-use assets	65,355	14,974
Interest expense on lease liabilities	87,713	62,191
Expense relating to leases of low-value assets	27,835	15,369
Variable lease payments	109,317	97,891
	290,220	**190,425**

The future cash outflows related to leases, for which the Group recognised the right-of-use assets, are disclosed in Note 27 (Liquidity risk).

The total cash flow from leases of low value items and leases with variable payments for the year ended 31 December 2021 amounted to UAH 116,956 thousand (2020: UAH 132,096 thousand). The cash outflows related to leases, for which the Group recognised the right-of-use assets, are disclosed in Note 14(iii).

Revaluation of telecommunication assets intended for release and buildings and construction of real estate business segment

Management determined that telecommunication assets intended for release and buildings and constructions of real estate business segment constitute separate classes of property, plant and equipment, based on the nature, characteristics and risks of the related assets. The telecommunication assets intended for release include telephone exchanges that the Group identified as suitable for decommissioning according to the network modernization programs approved by the management. The buildings and constructions of real estate business segment represent a pool of properties that are identified for a transfer to investment properties.

The fair value of telecommunication assets intended for release and buildings and construction of real estate business segment was determined using the combination of techniques utilising market prices of analogues and discounted cash flow. The valuations have been performed by highly qualified and experienced experts and independent appraisers as at 31 December 2021 and are based on the following:

- Telephone exchanges: the number of ports in each model of exchanges; the weight of precious metals in ports and selling prices of such precious metals;
- Buildings and constructions: market prices of analogues after adjustment for locations and conditions of individual properties; rental value, discount rate (see Note 7 for unobservable valuation inputs utilised) .

Significant valuation inputs for telephone exchanges were as follows:

Category	Significant valuation inputs	Range
Telephone exchanges	Selling prices (minimal) per port in each model of Telephone exchanges	UAH 16.92-510.58 per port

As at 31 December 2021, management recorded, based on the internal expert analysis and independent appraisers' report, a revaluation of telephone exchanges and buildings and constructions to the fair value of UAH 215,145 thousand and 3,342,734 thousand, respectively (31 December 2020: UAH 229,419 thousand and UAH 3,290,492 thousand, respectively).

The fair value adjustment was recorded as follows:

(in thousands of Ukrainian hryvnias)	**31 December 2021**	**31 December 2020**
Telecommunication assets intended for release		
(Write-down)/ Revaluation surplus recognized in profit and loss	(2,314)	(799)
Revaluation surplus recognised in other comprehensive income	112,024	155,581
	109,710	**154,782**
Buildings and construction of the real estate business segment		
(Write-down)/ Revaluation surplus recognized in profit and loss (Note 26)	–	832
Revaluation surplus recognised in other comprehensive income	1,099,329	367,229
	1,099,329	**368,061**
Total gain/(loss) on revaluation	**1,209,039**	**522,843**

6. Property, plant and equipment (continued)

Revaluation of specialised assets

Specialised assets include those that the Group uses for a provision of telecommunication services, comprising the following categories of property, plant and equipment:

- Buildings and leasehold improvements
- Switching and other network equipment
- Ducts and cables
- Radio and fixed link transmission equipment
- Computer, office and other equipment
- Right-of-use assets

The total carrying amount of such assets was UAH 5,388,196 thousand as at 31 December 2021 (31 December 2020: UAH 5,112,549 thousand).

Such property, plant and equipments are specialised in nature and rarely sold in the open market. The fair value of such items is primarily determined using depreciated replacement cost method. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economic depreciation, and obsolescence.

Consistent with the prior year, all specialised assets, excluding those located in Donetsk and Luhansk branches, are considered to be a single cash generating unit as they are integrated and it is not possible to identify specific assets or groups of assets that generate largely independent cash inflows.

As at 31 December 2019, the Group identified indicators of specialized assets impairment based on cash flow forecasts for the next nine years, approved by senior management in the amount of UAH 2,267,043 thousand as impairment losses, of which UAH 1,483,293 thousand was recognized in profit or loss, and UAH 783,750 thousand in other comprehensive loss for the year ended 31 December 2019.

A similar approach as at 31 December 2020 confirmed that there were grounds for reversal of impairment loss in 2019. The reason for the revaluation as of 31 December 2020 are the following factors:

- Improving the efficiency of the existing assets use. The implementation and launch of the Greenfield and Pon Swap projects, the program of local modernization of the telecom network and the replacement of vehicles had a significant positive impact on the efficiency of the existing assets use and, accordingly, cash flow forecasts;
- Post-tax discount rate decrease by 2%;
- Including into the projected cash flows the incomes from the sale of precious metals obtained during the release of cable lines and transmission devices in the coming years. Such projected cash flow was recognised for the first time in the projected cash flows as at 31 December 2020. The Group did not recognise the future cash flow from the sale of precious metals as at 31 December 2019 due to insignificant share of such income n the Group's revenue structure, as well as due to irregular and unpredictable nature of such sales in previous years.

As a result, impairment loss in the amount of UAH 1,748,579 thousand was reversed, of which UAH 1,198,651 thousand were recognised in profit and loss (Note 25), and UAH 657,933 thousand were recognised in other comprehensive income for the year ended 31 December 2020.

The test performed as at 31 December 2021 confirmed that there were no indications of a significant change in the fair value of the specialized assets based on the cash flow forecasts for the next nine years approved by Group’s top management.

For the purpose of fair value measurement, management determined the projected cash flows based on the past performance and its expectations on the future market developments. The applied assumptions and growth rates were based on market data and internal reports and are consistent with the forecasts included in industry reports. The values assigned to the key assumptions represent management’s best assessment of future trends in the business and are based on both external and internal sources.

6. Property, plant and equipment (continued)

The following table summarises significant unobservable valuation inputs used to determine the fair value of specialised property, plant and equipment (Level 3) as at 31 December 2021 and 2020:

Inputs	2021	2020
Post-tax discount rate	12.6%	12.1%
Terminal period growth rate	4.8%	4.5%
ARPU growth rate fixed line telephony	B2C: unevenly from 33.7% in 2022 to 10.6% in 2030. B2B: from 12.9% in 2023 to 10.0% in 2027, 11.0% in 2030.	B2C: unevenly from 21.9% in 2022 to 12.0% in 2025, 18.0% in 2030. B2B: from 8.8% in 2021 to 6.6% in 2022, 8.1% in 2030.
ARPU growth rate internet services	B2C: unevenly from 24.5% in 2023 to 9.8% in 2030. B2B: from 24.1% in 2022 to 2.7% in 2027, 4.8% in 2030.	B2C: from 27.0% in 2021 to 10.5% in 2030, the peak of growth in 2021. B2B: from 23.8% in 2021 to 4.1% in 2030, the peak of growth in 2021.
Churn rate fixed line telephony	B2B: from 33.1% in 2022 to 14.4% in 2029, 20.8% in 2030. B2C: unevenly from 15.0% in 2023 to 5.7% in 2030.	Long-term subscribers base decrease rate of 19.2% starting from 2030 for B2C segments and 6.0% from 2030 for B2B segments. Up to these years it is normalized from current level of 29.6% (B2C) and 13.4% (B2B) to long-term level.
Churn rate internet services	B2C: Outflow of 15.5% in 2022 with subsequent rate reduction to 3.2% growth in subscriber base in 2030. B2B: Outflow of 11.6% in 2022 with subsequent churn rate reduction to 0.9% growth in subscribers base in 2030. The peak of growth in subscribers base by 4.5% in 2026.	B2C: Outflow of 15.1% in 2021 with subsequent rate reduction to 3.7% growth in subscriber base in 2030. B2B: Outflow of 11.3% in 2021 with subsequent churn rate reduction to 8.1% growth in subscribers base in 2030.

The following table illustrates sensitivity of fair value estimates for specialised assets to changes in the key assumptions as at 31 December 2021:

(in thousands of Ukrainian hryvnias)	**% change**	**Change in fair value estimates**
Input		
Post-tax discount rate	+0.5%/-0.5%	(500,943) / 576,100
Terminal period growth rate	+0.5%/-0.5%	275,795 / (243,628)
ARPU growth rate fixed line telephony	+1%/-1%	156,088 / (151,273)
ARPU growth rate internet services	+1%/-1%	265,296 / (261,317)
Churn rate fixed line telephony	+1%/-1%	(55,541) / 56,643
Churn rate internet services	+1%/-1%	(160,497) / 162,198
Change in cash flows from the sale of precious metals	+1%/-1%	19,399 / (19,388)

Depreciation charge

The total depreciation charge for the years ended 31 December 2021 and 31 December 2020 is as follows:

(in thousands of Ukrainian hryvnias)	**Note**	**2021**	**2020**
Charged to:			
Cost of sales (restated)	18	822,578	477,380
Administrative expenses	19	29,711	13,050
Selling expenses	20	1,293	5,392
Other operating expenses	21	5,535	6,461
Total depreciation charge		**859,117**	**502,283**

Pledged assets

As at 31 December 2021 and 2020 some of the Group's assets are pledged to secure bank loans and other borrowings (Note 13).

7. Investment property

In accordance with IAS 40 Investment Property, if property comprises a part that is held to earn rentals or for capital appreciation and another part that is held for own use, and these part could not be sold separately, the property is accounted for as investment property only if an insignificant portion is held for own use. The Group develops certain criteria to apply this judgement consistently in accordance with the definition of investment property.

The Group set a portion less than 30% as insignificant for these purposes and applied this accounting policy consistently in the financial statements from 2017. Accordingly, the Group has property (buildings) which comprises one part that is held to earn rentals or for capital appreciation and another part that is held for use in the production or supply of goods or services or for administrative purposes. One part of this property that includes the whole buildings with an insignificant part held for own use in the amount of UAH 3,909,229 thousand as at 31 December 2021 (31 December 2020: UAH 2,857,811 thousand) is classified as investment property. Another part of this property that includes whole buildings of which a significant part is held for own use in the amount of UAH 3,342,734 thousand as at 31 December 2021 (31 December 2020: UAH 3,290,492 thousand) is classified within property, plant and equipment as buildings and constructions of real estate business segment.

As at 31 December 2021, the Group identified 487 property complexes with a total area 621,225 square meters (31 December 2020: 242 complexes with a total area of 424,605 square meters) that met the criteria and were classified as investment property.

Revaluation of investment property has been performed by independent appraisers as at 31 December 2021 and is based on combination of techniques using market prices of analogues and income approach (direct capitalisation and discounted cash flow methods).

The fair value of real estate depends on location, technical condition, design features and other pricing factors.

The average cost of 1 sq. m of office real estate in regional centres varies from USD 300.00 to USD 1,200.00 per sq. m. In Kyiv, the average price of 1 sq. m of office real estate is USD 2,000.

Average office space rent in regional centres varies from USD 4.70 to USD 10.70 per 1 sq. m, in Kyiv - from USD 14.00 to USD 26.00 per 1 sq. m.

Under the direct capitalization method, capitalization rate is calculated using the market extraction method. Capitalization rate is calculated for such segments as, office, commercial and industrial-warehouse real estate by size and geographical location. Capitalization rate for nominal cash flow in UAH is from 15.95% to 21.95%.

Reconciliation of the fair value of investment property:

(in thousands of Ukrainian hryvnias)	**2021**	**2020**
As at 1 January	**2,857,811**	**3,245,684**
Revaluation recognised in profit and loss	95,957	419,197
Transfers from/(to) the owner-occupied property (Note 6)	955,597	(811,353)
Other transactions/transfers	(136)	4,283
Revalued amount as at 31 December	**3,909,229**	**2,857,811**

As at 31 December 2021 and 2020 some of the Group's investment properties was pledged to secure bank loans and other borrowings (Note 13).

8. Other non-current assets

Other assets include contracts assets under IFRS 15. Assets recognised as capitalised costs to obtain and fulfil a contract are as follows:

(in thousands of Ukrainian hryvnias)	2021	2020
As at 1 January, including:	**196,128**	**158,358**
- Short-term portion (line 1190)	69,544	42,078
- Long-term portion (line 1090)	126,584	116,280
Cost for the period	189,731	148,562
Expenses on terminated subscribers (Note 18)	(61,841)	(41,940)
Amortisation of contract assets with existing subscribers (Note 18)	(96,878)	(68,852)
As at 31 December, including:	**227,140**	**196,128**
- Short-term portion (line 1190)	94,447	69,544
- Long-term portion (line 1090)	132,693	126,584

Besides capitalised costs to obtain and fulfil a contract, line 1190 as at 31 December 2021 also includes VAT tax receivable in the amount of UAH 21,551 thousand and other current assets.

9. Trade accounts receivable

Trade accounts receivable as at 31 December 2021 and 2020 are as follows:

(in thousands of Ukrainian hryvnias)	31 December 2021	31 December 2020
Trade accounts receivable		
Individuals	158,598	180,535
Commercial entities	341,023	353,320
Government agencies	144,020	152,833
	643,641	**686,688**
Allowance for expected credit losses		
Individuals	(81,645)	(92,566)
Commercial entities	(135,206)	(139,469)
Government agencies	(115,580)	(120,182)
	(332,431)	**(352,217)**
Total trade accounts receivables	**311,210**	**334,471**

Analysis of trade accounts receivable by credit quality is as follows:

(in thousands of Ukrainian hryvnias)	31 December 2021	31 December 2020
Individuals		
- current and overdue less than 90 days	65,311	69,330
- 90 to 180 days overdue	16,736	19,022
- 180 to 360 days overdue	27,699	28,540
- over 360 days overdue	48,852	63,643
Total individuals, gross	**158,598**	**180,535**
Commercial entities		
- current and overdue less than 90 days	199,990	204,470
- 90 to 180 days overdue	6,651	11,456
- 180 to 360 days overdue	8,694	16,564
- over 360 days overdue	125,688	120,830
Total commercial entities, gross	**341,023**	**353,320**

9 Trade accounts receivable (continued)

(in thousands of Ukrainian hryvnias)	31 December 2021	31 December 2020
Government agencies		
- current and overdue less than 90 days	25,690	30,956
- 90 to 180 days overdue	6,534	10,513
- 180 to 360 days overdue	20,245	20,173
- over 360 days overdue	91,551	91,191
Total government agencies, gross	**144,020**	**152,833**
Total trade receivables, gross	**643,641**	**686,688**
Allowance for expected credit losses	(332,431)	(352,217)
Total trade accounts receivables	**311,210**	**334,471**

The current and overdue less than 90 days category for individuals in the table above consists mainly of the December revenues (approximately 99%) to be billed in early January next year. The contractual due date for payment of these bills is 20 January.

The current and overdue less than 90 days category for commercial entities includes receivables from the other telecom operators and Ukrainian legal entities that have been using the Company's services for a long period of time and consists mainly of the December revenues (approximately 67%) to be billed in early January next year. The contractual due date for payment of these bills is 20 January.

In 2021, the Group wrote off some overdue trade accounts receivable due from the legal entities in the amount of UAH 2,010 thousand and receivables due from the individuals in the amount of UAH 167 thousand (in 2020: overdue trade accounts receivable due from the legal entities in the amount of UAH 5,291 thousand).

In addition, in 2021 the Group sold receivables on agreements for telecommunication services in the amount of UAH 57,049 thousand (individuals) and UAH 7,605 thousand (legal entities) to a financial institution.

Allowance for expected credit losses of trade accounts receivable as at 31 December 2021 is as follows:

(in thousands of Ukrainian hryvnias)	Gross amount of trade account receivable	Allowance for expected credit losses	Net amount of trade account receivable	Share of expected credit losses of trade accounts receivable
Trade receivables from individuals	158,598	(81,645)	76,953	51%
Trade receivables from commercial entities	341,023	(135,206)	205,817	40%
Trade receivables from government agencies	144,020	(115,580)	28,440	80%
Total trade account receivables	**643,641**	**(332,431)**	**311,210**	**52%**

Allowance for expected credit losses of trade accounts receivable as at 31 December 2020 is as follows:

(in thousands of Ukrainian hryvnias)	Gross amount of trade account receivable	Allowance for expected credit losses	Net amount of trade account receivable	Share of expected credit losses of trade accounts receivable
Trade receivables from individuals	180,207	(92,566)	87,641	51%
Trade receivables from commercial entities	353,648	(139,469)	214,179	39%
Trade receivables from government agencies	152,833	(120,182)	32,651	79%
Total trade account receivables	**686,688**	**(352,217)**	**334,471**	**51%**

9. Trade accounts receivable (continued)

Changes in allowance for expected credit losses is as follows:

(in thousands of Ukrainian hryvnias)	2021	2020
Balance at beginning of the year	**352,217**	**312,942**
Charge for the year	89,868	114,997
Reversed for the year	(42,823)	(70,364)
Release of allowance	(66,831)	(5,358)
Balance at year end	**332,431**	**352,217**

Refer to Note 27 for information on credit, concentration, currency and interest rate risks associated with accounts receivable.

10. Other current receivables

Bonds issued by the parent company and other current receivables

The fair value of the receivables due from the parent company was determined by the Group's internal experts and presented as other current receivables.

As at 31 December 2021 and 2020, other current receivables mostly included bonds issued by the parent company, LLC "ESU", redemption period for which lapsed in 2017, overdue interest-free loans granted to the parent company, LLC "ESU", with a nominal amount of UAH 737,983 thousand, and other receivables due from the parent company.

Receivables due from the parent company are accounted for at fair value. The fair value was determined by the Group's internal experts based on the assumption that LLC "ESU" will undergo a liquidation process whereby it will sell its investment in the Company (92.791% of ordinary shares) and distribute the proceeds among all its creditors. Therefore, the fair value of the receivables due from parent company is derived from the estimated Company's market value, that is part of the Group, determined using the discounted cash flow model (Level 3).

The key valuation inputs used in the fair value measurements, in addition to those already disclosed in Note 6 and Note 7, were as follows:

Input	Range
Estimated duration of liquidation process and cash proceeds	795 days
Average market discount rate, %	12.45% (2021); 11.81% (2020)

(in thousands of Ukrainian hryvnias)	31 December 2021	31 December 2020 (restated)
Receivables due from parent company		
Receivables for bonds at fair value	1,036,820	1,036,820
Interest-free loans at fair value	737,983	737,983
Other receivables at fair value	234,394	234,394
	2,009,197	**2,009,197**
Decrease in fair value	(701,006)	(894,365)
Carrying amount	**1,308,191**	**1,114,832**
Decrease in fair value against par nominal value	35%	45%
Other receivables	9,936	13,724
Total other current receivables	**1,318,127**	**1,128,556**

11. Share capital

As at 31 December 2021, the authorised share capital comprises 18,726,248 thousand of issued and registered ordinary shares (31 December 2020: 18,726,248 thousand) with a par value of UAH 0.25. As at 31 December 2021 and 2020, all shares are outstanding. As at 31 December 2021 and 2020, the total amount of the registered and fully paid share capital is UAH 4,681,562 thousand.

Prior to 1 January 2001 the economy of Ukraine was considered to be a hyperinflationary economy. International Financial Reporting Standard IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29) requires all components of equity, except retained earnings (accumulated deficit), to be restated by application of conversion factors. Thus, in accordance with IAS 29, share capital was restated by applying conversion factors from the dates components of share capital were contributed or otherwise arose until 31 December 2000 resulting in a revaluation surplus amounting to UAH 3,011,892 thousand recorded within revaluation surplus in equity.

Revaluation surplus also includes the effect of revaluation of property, plant and equipment. As a result of disposal of certain property, plant and equipment revalued in prior periods, in 2021 the Group transferred to accumulated loss the revaluation reserve of these assets in the amount of UAH 156,303 thousand (2020: UAH 84,260 thousand).

As at 31 December 2021, additional capital in the amount of UAH 420,386 thousand is represented mainly by share premium (31 December 2020: UAH 420,186 thousand).

As at 31 December 2021, reserves in the amount of UAH 222,812 thousand represent transfers of a portion of the annual profits and share capital as was required by the Ukrainian legislation prior to the Group’s privatisation (31 December 2020: UAH 222,812 thousand).

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at general meetings of shareholders.

In accordance with the Ukrainian legislation, distributable reserves are limited to the balance of retained earnings.

12. Long-term provisions

The amounts recognised in the consolidated statement of financial position are:

(in thousands of Ukrainian hryvnias)	31 December 2021	31 December 2020
Post-employment long-term benefit obligations	265,188	281,714
Total long-term provisions	**265,188**	**281,714**

The movements in post-employment long-term benefit obligations during 2021 is as follows:

(in thousands of Ukrainian hryvnias)	One-time payment on retirement	State retirement benefit plan	Total post-employment benefit obligations
Present value of obligations as at 1 January 2021	**17,189**	**264,525**	**281,714**
Current service cost	643	594	1,237
Interest cost on post-employment obligations	1,908	27,176	29,084
Actuarial loss (gain) in the statement of comprehensive income	(2,258)	(5,806)	(8,064)
Benefits paid	(1,297)	(37,486)	(38,783)
Present value of obligations as at 1 January 2021	**16,185**	**249,003**	**265,188**

Actuarial gain recognised in the statement of comprehensive income in 2021 is mainly represented by change in financial actuarial assumptions, driven by change in discount rate, and comprised UAH 8,064 thousand.

Effect of changes in adjustments to plan obligation based on experience and demographic actuarial assumptions amounted to UAH 2,949 thousand and UAH 3,324 thousand, respectively.

12. Long-term provisions (continued)

The movements in long-term post-employment benefit obligations during 2020 are as follows:

(in thousands of Ukrainian hryvnias)	**One-time payment on retirement**	**State retirement benefit plan**	**Total post-employment benefit obligations**
Present value of obligations as at 1 January 2020	**26,584**	**243,633**	**270,217**
Gains from changes in the collective agreement	(16,686)	–	(16,686)
Current service cost	1,141	490	1,631
Interest cost on post-employment obligations	2,873	26,081	28,954
Actuarial loss (gain) in the statement of comprehensive income	10,114	28,222	38,336
Benefits paid	(6,837)	(33,901)	(40,738)
Present value of obligations as at 31 December 2020	**17,189**	**264,525**	**281,714**

The amounts recognised in the profit or loss for the year ended 31 December 2021 are as follows:

(in thousands of Ukrainian hryvnias)	**One-time payment on retirement**	**State retirement benefit plan**	**Total post-employment benefit obligations**
Interest cost on post-employment obligations (Note 23)	1,908	27,176	29,084
Current service cost	643	594	1,237
	2,551	**27,770**	**30,321**

Current service cost is included in employee expenses under collective agreement within other operating expenses (Note 21).

The amounts recognised in profit or loss for the year ended 31 December 2020 are as follows:

(in thousands of Ukrainian hryvnias)	**One-time payment on retirement**	**State retirement benefit plan**	**Total post-employment benefit obligations**
Interest cost on post-employment obligations (Note 23)	2,873	26,081	28,954
Current service cost	1,141	490	1,631
Gains from changes in the collective agreement	(16,686)	–	(16,686)
	(12,672)	**26,571**	**13,899**

The principal actuarial assumptions used in determining the long-term post-employment benefit obligations are as follows:

	31 December 2021	**31 December 2020**
Nominal discount rate	12.43%	11.10%
Staff turnover	8.00%	7.60%

Since reliable market data are not generally available in Ukraine, management uses its own assumptions in calculating the liability related to these obligations at each year-end date. Actual results could significantly vary from estimates made at the year-end date.

The salary increase rate is estimated based on the expected budgeted and forecasted salary increases for employees.

The sensitivity analyses below are based on a change in a significant assumption, keeping all other assumptions constant:

(in thousands of Ukrainian hryvnias)	**31 December 2021**
Nominal discount rate increase/decrease by 1%	(12 331)/13 498
Nominal salary increase/decrease by 1%	8 486/(7 956)

As at 31 December 2021, the weighted average maturity of the Group’s long-term employee benefit obligations is 5.5 years (31 December 2020: 6 years). Payments in respect of these obligations expected to be made during the year 2022 are UAH 61,306 thousand (2021: UAH 61,266 thousand).

13. Loans and borrowings

Loans and borrowings are presented as follows:

(in thousands of Ukrainian hryvnias)	31 December 2021	31 December 2020
Non-current loans and borrowings		
Bank loans (Line 1510)	1,079,194	1,346,925
Suppliers' loans (line 1510)	18,337	64,563
Total non-current loans and borrowings	**1,097,531**	**1,411,488**
Current loans and borrowings		
Bank loans	425,101	215,391
Suppliers' loans	2,787	–
Interest payable	8,836	19,450
Total current loans and borrowings (Line 1600 and 1610)	**436,724**	**234,841**
Total loans and borrowings	**1,534,255**	**1,646,329**

Information on credit risk, concentration risk, currency and interest rate risks, including those related to the Group's loan portfolio is disclosed in Note 27.

Terms and conditions of outstanding secured loans and borrowings are as follows:

(in thousands of Ukrainian hryvnias)	Currency	31 December 2021		31 December 2020	
		Carrying amount	Nominal value	Carrying amount	Nominal value
Non-current loans and borrowings					
Bank loans	USD, EUR	1,079,194	1,082,628	1,346,925	1,359,044
Suppliers' loans	EUR	18,337	18,890	64,563	65,089
Total non-current loans and borrowings		**1,097,531**	**1,101,518**	**1,411,488**	**1,424,133**
Current loans and borrowings					
Bank loans	USD, UAH	425,101	425,101	215,391	215,391
Suppliers' loans	EUR	2,787	2,787	–	–
Interest payable	USD, UAH, EUR	8,836	8,836	19,450	19,450
Total current loans and borrowings		**436,724**	**436,724**	**234,841**	**234,841**
Total loans and borrowings		**1,534,255**	**1,538,242**	**1,646,329**	**1,658,974**

13. Loans and borrowings (continued)

Cash flows and non-cash movements in loans and borrowings are presented in the table below:

(in thousands of Ukrainian hryvnias)	**2021**	**2020**
Opening balance at 1 January	**1,646,329**	**1,651,442**
Cash flow		
Interest paid	(171,228)	(203,066)
Repayment of loans and borrowings	(1,300,928)	(392,179)
Loans and borrowings received	1,195,673	100,964
Non-cash movements		
Interest accrued during the period	167,228	214,060
Foreign exchange (gain)/loss	(80,726)	181,780
Loan for equipment supply	72,163	90,424
Effect of debt restructuring	5,443	-
Servicing-related expenses	301	2,904
Closing balance as at 31 December	**1,534,255**	**1,646,329**

Under the terms of the loan agreements, part of the payable for the delivered equipment is paid by a Slovenian bank directly to the account of a Slovenian supplier company (without receipt of cash on the Group's bank accounts), on which the Group receives a confirmation on the payments made from the bank for its accounting records.

Currency and liquidity risks are disclosed in Note 27.

Bonds

As at 31 December 2021, there are no bonds issued in circulation.

Bank loans and borrowings

Long-term financing

In December 2015, the Group signed an agreement on a long-term credit line with a Chinese bank with a limit of USD 50,000 thousand and maturity until December 2022. As at 31 December 2020, the effective interest rate of this facility was 9.34%. The Group made loan repayments according to the schedule twice a year, starting from the end of 2019. However, in order to optimize the costs of servicing the loan portfolio and attract credit funds at a lower interest rate, in September 2021, the Group decided to early repay the loan in the amount of USD 19,078 thousand. This also allowed to release from pledge real estate in the amount more than USD 70 million, equipment - more than USD 16 million, property rights to future deliveries - USD 28.8 million, and current accounts. As at 31 December 2020, the long-term portion of the debt under the credit line was the equivalent of UAH 431,753 thousand, and the current portion of the debt under this credit line as at 31 December 2020 was the equivalent of UAH 215,391 thousand.

In March 2019, the Group signed a loan agreement on the terms of export credit insurance (ECI) with a Slovenian bank for EUR 4,854 thousand to finance an investment project. In September 2020, the Group signed an additional agreement to increase the credit limit to EUR 5,660 thousand. The total outstanding principal amount as at 31 December 2021 was the equivalent of UAH 175,634 thousand (31 December 2020: UAH 175,634 thousand). As at 31 December 2021, the effective interest rate of this facility is 3.22%. This loan matures in July 2028.

In April 2019, the Group signed a loan agreement with a Slovenian non-financial company for EUR 634 thousand to finance an investment project. The outstanding principal amount as at 31 December 2021 was the equivalent of UAH 18,118 thousand (31 December 2020: UAH 21,098 thousand). As at 31 December 2021, the effective interest rate of this facility was 3.16%. This loan matures in August 2028, with repayments starting from December 2021.

The Group continued its successful cooperation with the Slovenian bank and at the end of December 2019 signed a new loan agreement on the terms of export credit insurance (ECI) for EUR 3,332 thousand to finance the expansion of the investment project from December 2021 to April 2029. The outstanding principal amount as at 31 December 2021 amounted to the equivalent of UAH 94,838 thousand (31 December 2020: UAH 112,361 thousand). As at 31 December 2021, the effective interest rate of this facility was 3.24%.

In January 2020, the Group also signed a loan agreement with a Slovenian non-financial company for EUR 1,774 thousand to finance an investment project. In June 2021 the debt was refinanced by a Slovenian bank. The outstanding principal amount as at 31 December 2021 amounted to the equivalent of UAH 57,197 thousand (31 December 2020: UAH 43,992 thousand). The effective interest rate of this facility was 2.68%. This loan matures in March 2025.

13. Loans and borrowings (continued)

From 2011 the Group had a renewable credit line from a domestic bank, the limit was revised several times. In September 2020, the Group entered into an additional agreement on short-term debt restructuring in the amount of UAH 809,295 thousand, which provides for the extension of the line for 3 years with a schedule of the gradual debt reduction. To optimize the costs of servicing the loan portfolio, the Group decided to early repay the loan in the total amount of UAH 639,295 thousand in several tranches during 2021. As at 31 December 2020, the effective interest rate of this facility was 18.09%. The total debt on this credit line as at 31 December 2020 comprised UAH 639,295 thousand.

In February 2021, the Group entered into a loan agreement with a domestic bank in the amount of UAH 425,000 thousand that matures in February 2025 to refinance other long-term debt and replenish working capital. The Group paid off the loan debt according to the schedule (on a quarterly basis). As at 31 December 2021, the outstanding debt balance amounted to UAH 402,500 thousand. As at 31 December 2021, the effective interest rate of this facility was 15,65%.

In May 2021, the Group entered into a loan agreement with a domestic bank in the amount of USD 15,000 thousand that matures in February 2025 to refinance its debt to banks and replenish working capital. The Group paid off the loan debt according to the schedule (on a quarterly basis). The total outstanding debt as at 31 December 2021 amounted to the equivalent of UAH 394,838 thousand. As at 31 December 2021, the effective interest rate of this facility was 6.42%.

During 2021, the Group attracted finance for new investment projects.

In particular, in June 2021 an agreement with a Slovenian non-financial company was concluded for EUR 2,550 thousand. The total outstanding debt as at 31 December 2021 amounted to the equivalent of UAH 3,559 thousand. As at 31 December 2021, the effective interest rate of this facility was 3.54%.

In November 2021 an agreement with a Slovenian bank was concluded for EUR 5,827 thousand. The total outstanding debt as at 31 December 2021 amounted to the equivalent of UAH 52,622 thousand. As at 31 December 2021, the effective interest rate of this facility was 2.11%.

In November 2021, an agreement with another Slovenian bank was concluded for EUR 2,675 thousand. The total outstanding debt as at 31 December 2021 amounted to the equivalent of UAH 3,863 thousand. As at 31 December 2021, the effective interest rate of this facility was 2.35%.

In July 2021, a loan agreement was signed with a domestic bank with a credit limit of EUR 15,000 thousand, maturing in June 2026. The total outstanding debt as at 31 December 2021 amounted to the equivalent of UAH 329,008 thousand. As at 31 December 2021, the effective interest rate under this loan agreement was 2.88%.

The insurance premiums and one-off commissions for attracted borrowings in the amount of UAH 65,201 thousand are included in the line "Deferred expenses" as at 31 December 2021 (31 December 2020: UAH 35,034 thousand).

The effective interest rates and currencies of loans and borrowings as at the reporting date are provided in the table below:

					2021					
% per annum	**UAH**	**USD**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
	15.65%	6.42%	3.22%	3.16%	3.24%	2.68%	3.54%	2.11%	2.35%	2.88%
Total borrowings	**402,500**	**394,838**	**175,034**	**18,118**	**94,838**	**57,197**	**3,559**	**52,622**	**3,863**	**329,008**

			2020			
% per annum	**UAH**	**EUR**	**EUR**	**EUR**	**EUR**	**USD**
	18.09%	3%	3.15%	3.18%	3.68%	9.34%
Total borrowings	**639,295**	**175,634**	**21,098**	**112,361**	**43,992**	**647,144**

Compliance with covenants under loan agreements

Under the terms of loan agreements, the Group should comply with certain financial covenants and fulfil other (non-financial) obligations. Agreements provide for a list of cases of non-fulfilment giving creditors the right to claim early repayment of loans.

In 2021, the Group fulfilled all its obligations to creditors and complied with the financial and non-financial covenants, except for the failure to comply with the financial covenants under the loan from the domestic bank.

The early repayment of the loan from a Chinese bank in 2021 with partial refinancing of the debt, along with other reasons, led to a deterioration of and further non-compliance with the financial indicator DSCR (debt service ratio), which, among other things, the Group is obliged to comply with under the loan agreement with a domestic bank. Accordingly, as at 31 December 2021, the Group failed to comply with the financial covenant under the loan with that domestic bank, which enabled the bank to demand that the principal amount of UAH 329,008 thousand and accrued interest of UAH 566 thousand be repaid immediately.

13. Loans and borrowings (continued)

In December 2021, the Group contacted a domestic bank with an appeal and in February 2022 the Group received a response from the bank not to consider as the violation of the loan agreement terms as regards compliance with the DSCR and not to demand early repayment of the debt,. In addition, after contacting the bank, the Group continued to use the credit line on a regular basis as at the date of the financial statements. Notwithstanding those events, as the official response from the bank was received after the reporting date, the debt under this facility was reclassified to current and presented within the current liabilities (on demand) as at 31 December 2021.

During 2020, the Group was fulfilling its obligations to creditors and complying with financial and non-financial covenants, except the case of non-compliance under the agreement with a Chinese bank occurred by the existence of qualified auditor`s opinion to financial statements for the year ended 31 December 2020.

In 2020 the Group received a separate letter by which the bank confirmed its waiver of the right to claim early repayment due to the modification of the audit opinion. During 2020, the Group undertook actions to eliminate and mitigate the auditor's qualification in future financial statements.

As a 31 December 2020, the Group was not in breach of covenants and classified the liabilities on loan from the Chinese bank in accordance with contractual maturities.

Pledges

Assets and ownership rights that are pledged to secure bank loans and other borrowings are presented as follows:

Pledge	Currency	31 December 2021	31 December 2020
Ownership rights for future equipment supplies	USD	-	28,779
Property, plant and equipment and investment property	UAH	1,583,068	3,674,392

14. Other liabilities

Other liabilities are presented as follows:

	31 December 2021		31 December 2020	
(in thousands of Ukrainian hryvnias)	**Short-term**	**Long-term**	**Short-term**	**Long-term**
Lease liabilities (restated) (iii)	129,583	604,913	84,409	285,724
Performance obligations (ii)	51,913	213,561	49,496	200,158
Obligation for bonds issued by the parent company (i)	–	–	25,000	621,829
Other	21,569	41,726	15,798	–
Total other liabilities	**203,065**	**860,200**	**174,703**	**1,107,711**

(i) Obligations for bonds issued by the parent company

In March 2017 the Group received legal title to bonds issued by its parent company for a consideration of UAH 1,036,820 thousand payable immediately in cash. No payments were made by the Group in settlement of these obligations up until December 2019, when the parties signed an additional agreement, which reduced the amount payable, established an extended payment schedule with instalment settlements till 2028, and introduced an interest of 9.75% (net of VAT) per annum to be paid by the Group on the outstanding amount of liability. Also, in accordance with additional agreement, the Group undertook to provide the creditor with an additional mortgage in the amount not less than UAH 1 billion till 20 February 2020.

During 2021, the Company early repaid in full the debt for the bonds issued by the parent company, including interest and other payments under the agreement to the state-owned bank under the restructuring agreement dated 2 December 2019.

Cash flows and non-cash movements of liabilities are set out below.

(in thousands of Ukrainian hryvnias)	**2021**	**2020**
As at 1 January, including:	**646,829**	**589,098**
- Current portion (line 1690)	25,000	25,000
- Long-term portion (line 1515)	621,829	564,098
Non-cash movements		
Effect from restructuring the obligation to the bank (Note 23)	151,372	–
Accrued interest	91,855	99,220

14 Other liabilities (continued)

(in thousands of Ukrainian hryvnias)	2021	2020
Cash flows		
Early repayment of liability	(794,035)	–
Interest paid	(91,855)	(16,489)
Monthly payments made	(4,166)	(25,000)
As at 31 December, including:	**–**	**646,829**
- Current portion (line 1690)	–	25,000
- Long-term portion (line 1515)	–	621,829

(ii) Performance obligations

Deferred connection fee recognized as liabilities is as follows:

(in thousands of Ukrainian hryvnias)	2021	2020
As at 1 January, including:	**249,654**	**238,422**
- Current portion (line 1690)	49,496	52,920
- Long-term portion (line 1515)	200,158	185,502
Connection fee for the year	86,961	91,118
Revenue recognized (Note 17)	(71,141)	(79,886)
As at 31 December, including:	**265,474**	**249,654**
- Current portion (line 1690)	51,913	49,496
- Long-term portion (line 1515)	213,561	200,158

(iii) Lease liabilities

The carrying amount of lease liabilities and its movement:

(in thousands of Ukrainian hryvnias)	2021	2020 (restated)
As at 1 January, including:	**370,133**	**280,250**
- Current portion (line 1690)	84,409	59,802
- Long-term portion (line 1515)	285,724	220,448
Non-cash flow		
Modification	426,854	114,716
Accrued interest	87,713	62,191
Disposals	(23,619)	(1,331)
Other movements	(949)	(1)
Cash flow		
Interest paid	(87,713)	(62,191)
Finance lease payments made	(37,923)	(23,501)
As at 31 December, including:	**734,496**	**370,133**
- Current portion (line 1690)	129,583	84,409
- Long-term portion (line 1515)	604,913	285,724

15. Trade and other payables

Trade and other accounts payable are presented as follows:

(in thousands of Ukrainian hryvnias)	31 December 2021	31 December 2020
Accounts payable for services	214,078	174,236
Accounts payable for non-current assets	231,752	165,867
Accounts payable for inventories	55,846	34,553
Accounts payable to operators	34,811	39,364
Other accounts payable	9,011	6,797
Total trade and other accounts payable	**545,498**	**420,817**

16. Current provisions

Current provisions are presented as follows:

(in thousands of Ukrainian hryvnias)	**31 December 2021**	**31 December 2020**
Unused vacations	158,231	148,872
Accrued bonuses	141,941	140,504
Other provisions	1,171	1,198
Total current provisions	**301,343**	**290,574**

17. Revenue

Revenue analysis by principle revenue streams:

(in thousands of Ukrainian hryvnias)	**2021**	**2020**
Revenue from contracts with customers		
Internet services	2,174,375	2,052,851
Local calls and subscription-based fees	1,314,296	1,603,246
Traffic-based fees for local calls to mobile and domestic long-distance calls	443,252	456,856
Services to foreign operators	182,589	243,250
Income from mobile communications segments	163,737	132,874
Fees for use of lines and channels, incoming calls and transit of telephone traffic	125,974	131,032
Fees for use of cable ducts	81,707	85,974
Revenue from fixed line radio points	79,995	100,670
Other revenues from long-distance telephony	72,612	74,304
Connection fee (Note 14)	71,141	79,886
International traffic	29,717	43,852
Revenue from sale of goods	4,385	2,807
Other revenue	**36,150**	43,743
Total revenue from contracts with customers	**4,779,930**	**5,051,345**
Other revenue		
Revenue from operating leases of assets	612,891	480,060
Total other revenue	**612,891**	**480,060**
Total revenue	**5,392,821**	**5,531,405**

Local traffic and subscription-based fees and fees for use of cable ducts are determined based on regulated tariffs for telecommunication services approved by NCRCI.

Traffic-based fees for local calls to mobile and domestic long-distance calls include charges for outgoing traffic within Ukraine based on tariffs established by the Group. Traffic is measured in seconds.

International traffic comprises charges for outgoing traffic of international calls made by the Group 's subscribers from Ukraine.

Services to foreign operators include regular (monthly, quarterly, annual) fees for use of the lines and charges for traffic of international operators' customers located abroad and are based on individual agreements with international operators.

Fees for use of lines and channels, incoming calls and transit of telephone traffic are payments received from Ukrainian operators of telecommunication services, comprising fixed fees for access to the Group 's network and charges for outgoing traffic of customers of these operators. Unlike termination and transit of telephone traffic, fees for use of lines and channels are determined based on regulated tariffs for telecommunication services approved by NCRCI.

Internet services include fixed internet fees, Voice-IP services, revenue from sale of internet cards, data transmission services, internet connection fees and other fees.

Connection fee is represented by revenue from connection services, which is deferred for the period of estimated customer's lifetime.

18. Cost of sales

(in thousands of Ukrainian hryvnias)	2021	2020 (restated)
Salaries and related charges	1,380,027	1,479,676
Depreciation of property, plant and equipment (Note 6)	757,223	462,406
Utilities	680,603	494,113
Maintenance and repairs	268,190	275,451
Materials	153,143	189,150
Services provided by foreign operators	136,172	171,680
Amortisation of contract assets	96,878	68,852
Amortisation of intangible assets	88,185	98,681
Land taxes	77,635	83,360
Fees for use of lines and channels, incoming calls and transit of telephone traffic	75,821	145,362
Amortisation of right-of-use assets (Note 6)	65,355	14,974
Contract assets disposed on customers termination	61,841	41,940
Rent expenses	27,835	15,369
Other	258,480	182,058
Total cost of sales	**4,127,388**	**3,723,072**

19. Administrative expenses

(in thousands of Ukrainian hryvnias)	2021	2020
Salaries and related charges	604,761	599,854
Rent expenses	109,317	97,891
Real estate tax	50,667	36,541
Utilities	42,512	34,380
Land and other taxes	40,561	38,837
Depreciation of property, plant and equipment (Note 6)	29,711	13,050
Materials	17,530	25,388
Professional fees	14,901	14,099
Maintenance and repairs	7,133	17,360
Bank commissions and charges	6,287	3,845
Cleaning services	6,199	13,296
Insurance	4,049	6,270
Telecommunication services	2,926	7,483
Other	26,438	25,048
Total administrative expenses	**962,992**	**933,342**

20. Selling expenses

(in thousands of Ukrainian hryvnias)	2021	2020
Salaries and related charges	290,757	274,852
Advertising and printing services	36,954	43,008
Bank commissions and charges	12,604	16,750
Utilities	8,935	6,349
Delivery of bills	8,417	10,913
Commission fee	4,319	4,399
Materials	3,467	4,097
Depreciation of property, plant and equipment (Note 6)	1,293	5,392
Maintenance and repairs	735	1496
Amortisation of intangible assets	691	149
Other	6,434	6,935
Total selling expenses	**374,606**	**374,340**

21. Other operating expenses

(in thousands of Ukrainian hryvnias)	2021	2020
Employee expenses under collective agreement	60,620	28,244
Allowance for expected credit losses	(9,128)	12,087
Cost of stolen copper cable	23,263	3,314
Foreign currency exchange loss	14,760	–
Depreciation of property, plant and equipment (Note 6)	5,535	6,461
Fines and penalties	1,526	1,739
Other	30,346	60,867
Total other operating expenses	**126,922**	**112,712**

Employee expenses under collective agreement contain UAH 42,850 thousand under the termination of employment contracts during the year ended 31 December 2021 (31 December 2020: UAH 26,918 thousand).

In 2021 and 2020, the Supreme Court confirmed the Group's right to a refund of the tax credit, which was previously disputed by tax authorities. As a result, the Group recognised gain from the reversal of the allowance for expected credit losses from taxes and duties receivable in the amount of UAH 57,458 thousand for the year ended 31 December 2021 (31 December 2020: UAH 33,573 thousand), which the Group netted with an allowance for expected credit losses from trade and other receivables in the amount of UAH 48,330 thousand for the year ended 31 December 2021 (31 December 2020: UAH 45,660 thousand).

22. Other operating income

(in thousands of Ukrainian hryvnias)	2021	2020 (restated)
Gain from sale of non-current (current) assets	1,074,463	616,609
Gain on inventory surpluses	10,262	6,349
Fines and penalties	9,556	8,438
Gain on payables write-off	874	1,326
Foreign currency exchange gain	–	39,322
Other	36,289	17,498
Total other operating income	**1,131,444**	**689,542**

In 2021 and 2020, gain from sale of non-current (current) assets was mainly represented by the sale of dismantled copper cables and telephone exchanges. Copper cables sold in 2021 and 2020 were dismantled in the course of the ongoing process of network optimisation and subscribers reconnection to another cables with spare capacity. Prior to dismantling, these copper cables were considered to be of specialised nature and valued within a single CGU with other specialised assets of the Group using depreciated replacement cost approach subjected to impairment test using discounted cash flow method.`

23. Finance costs

(in thousands of Ukrainian hryvnias)	2021	2020 (restated)
Interest expense on loans and borrowings	259,083	313,280
Effect of early debt repayment	156,815	–
Interest expense on lease liabilities (Note 14)	87,713	62,191
Interest expense on post-employment long-term employee benefit-obligations (Note 12)	29,084	28,954
Servicing-related expenses	301	2,904
Foreign currency exchange loss	–	181,780
Interest cost on other long-term employee benefit obligations	–	299
Other finance costs	378	287
Total finance costs	**533,374**	**589,695**

The effect of the early repayment of the debt includes the write-off of discount on restructuring of the bonds-related debt issued by the parent company to a state-owned bank in the amount of UAH 151,372 thousand (Note 14) and other expenses arising from the early repayment of the debt to a Chinese bank in the amount of UAH 5,443 thousand.

24. Finance income

(in thousands of Ukrainian hryvnias)	2021	2020
Foreign currency exchange gain	80,726	–
Interest income	14,255	12,430
Other finance income	–	322
Total finance income	**94,981**	**12,752**

25. Other income

(in thousands of Ukrainian hryvnias)	2021	2020 (restated)
Gain from reversal of impairment of accounts receivable from the parent company	193,359	341,078
Revaluation of investment property	95,957	419,197
Revaluation of investment certificates	–	6,247
Gains on reversal of impairment of property, plant and equipment	–	1,198,651
Other revenue	–	34,807
Total other income	**289,316**	**1,999,980**

26. Income tax

(in thousands of Ukrainian hryvnias)	2021	2020 (restated)
Deferred income tax (expense)/benefit	27,043	(242,146)
Current income tax expense	(112,718)	(166,692)
Income tax benefit/(expense)	**(85,675)**	**(408,838)**

Reconciliation of effective tax rate:

(in thousands of Ukrainian hryvnias)	2021	%	2020 (restated)	%
Profit /(loss) before tax	**766,751**	**100%**	**2,500,518**	**100%**
Income tax (expense)/benefit at the effective rate 18%	**(138,015)**	**18%**	**(450,093)**	**18%**
Effect on income tax of:				
Net impact of non-taxable income/(non-deductible expenses)	52,340	7%	41,255	2%
Income tax (expense)/benefit	**(85,675)**	**11%**	**(408,838)**	**16%**

Differences between IFRS and Ukrainian taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences has been determined based on management's estimate of when these differences will be charged or credited in the Group's tax filings using 18% rate.

Movements in recognised temporary differences during the year ended 31 December 2021 are as follows:

(in thousands of Ukrainian hryvnias)	1 January 2021 (restated)	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2021
Property, plant and equipment and investment property	(476,131)	28,621	43,774	(403,736)
Intangible assets	(5,072)	5,304	–	232
Trade and other accounts receivable	53,982	(5,088)	–	48,894
Cash and cash equivalents	149	(45)	–	104
Post-employment long-term benefit obligations	47,615	(1,749)	(1,045)	44,821
Deferred tax assets/(liabilities)	**(379,457)**	**27,043**	**42,729**	**(309,685)**
Unrecognised deferred tax asset/(liability)	–	–	–	–
Net deferred tax assets/(liabilities)	**(379,457)**	**27,043**	**42,729**	**(309,685)**

26. Income tax (continued)

Movements in recognised temporary differences during the year ended 31 December 2020 are as follows:

(in thousands of Ukrainian hryvnias)	**1 January 2020**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**31 December 2020 (restated)**
Property, plant and equipment and investment property	(67,274)	(213,848)	(195,009)	(476,131)
Intangible assets	(211)	(4,861)	–	(5,072)
Accounts receivable	76,148	(22,166)	–	53,982
Cash and cash equivalents	101	48	–	149
Post-employment long-term benefit obligations	43,854	(1,319)	5,080	47,615
Deferred tax asset/(liability)	**52,618**	**(242,146)**	**(189,929)**	**(379,457)**
Unrecognised deferred tax asset/(liability)	–	–	–	–
Net deferred tax asset/(liability)	**52,618**	**(242,146)**	**(189,929)**	**(379,457)**

27. Financial risk and capital management

Exposure to credit, interest rate and currency risk and liquidity risk arises in the normal course of the Group's business.

Fair value

A number of the Group's disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value have been determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between participants at the measurement date (i.e. exit price).

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The effect of discounting is considered insignificant and was not presented in consolidated financial statements.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

The carrying value of all financial assets and liabilities is estimated to not significantly vary from their fair value as at 31 December 2021 and 31 December 2020.

Fair value hierarchy

In order to adhere to the requirements of IFRS 13 relating to fair value disclosures, all the financial and non-financial assets and liabilities, for which fair value disclosures are made, are mapped to a level of the fair value hierarchy of disclosure. IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- **Level 1** − valuations based on quoted prices in active markets for identical assets or liabilities that the Group has the ability to access.
- **Level 2** − valuations based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3** − valuations based on inputs for the asset and liability that are significant unobservable or significant adjustments to observable inputs based on unobservable inputs.

Disclosures about the Group's financial and non-financial assets and liabilities have been determined based on the results of a valuation consistent with Level 3 of the fair value hierarchy. Specialised property, plant and equipment and certain investment properties measured at fair value (net of disposal costs) as at 31 December 2021 and 2020 using unobservable inputs are also consistent with Level 3 of the fair value hierarchy.

Level 3: Key inputs and assumptions used in the fair value determinations for financial instruments are represented by market interest rates that approximate the Group's effective interest rates at the reporting date. There has been no change in the valuation technique for fair value determination and no transfers between the fair value categories during the years ended 31 December 2021 and 2020 in respect of financial assets. Fair values of financial instruments in the Group's balance sheet as at 31 December 2021 and 2020 approximate their carrying value.

27. Financial risk and capital management (continued)

Key inputs and assumptions used in the fair value determinations for non-financial assets are represented by market prices for similar assets and prices of recent sales with certain adjustments that are directly or indirectly observable.

Description of inputs used and the sensitivity of fair value measurement to changes in those inputs are disclosed in Notes 6, 7 and 10.

Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk.

This note presents information about the Group's exposure to each of these risks, and the objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included in respective Notes to these consolidated financial statements.

The Supervisory Board has overall responsibility for the establishment and oversight of the risk management framework.

The risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Supervisory Board oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a contract fails to meet its contractual obligations. Credit risk arises principally from accounts due from consumers and investment securities.

The Group does not require collateral for financial assets. Exposure to credit risk is monitored on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

Trade and other receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, national or international operators or government agencies and according to their aging profile. Management performs credit quality analysis of accounts receivable before they are 90 days overdue and soft-collection of debts by customer care personnel using follow tools: IVR, Viber, reminder on bills, calls reminders. If the individual customer is not paying for more than 3 months the service is temporary stopped by the Group until the payment is received. After 90 days overdue of accounts receivable the Group contracts external collection services.

Management established a credit policy under which each international operator is analysed individually for creditworthiness at the point of entering into business relationships. Subject to this payment and service rendering terms and conditions are offered. However, after that only the payment discipline is reviewed on on-going basis.

Although collection of receivables could be influenced by economic and political factors, management believes that there is no significant risk of loss to the Group beyond the provisions already recorded.

Cash and cash equivalents

The Group places cash on deposit in accounts with banks based on credit risk characteristics. In selecting a bank for placement of deposits, the Group considers the bank's credit rating, the previous experience with the bank and the interest rate it offers.

As at 31 December 2021, 100% of the Group's cash is held in 3 Ukrainian banks (31 December 2020: 99.7% in 3 Ukrainian banks), which does not expose the Group to a concentration of credit risk.

27. Financial risk and capital management (continued)

As at 31 December 2021 and 2020, analysis of cash in banks by credit quality by Fitch/Moody's credit rating is as follows:

(in thousands of Ukrainian hryvnias)	31 December 2021	31 December 2020
Cash in banks		
B2	249,045	725,309
B3	65,405	15,053
Non-rated	167	80
Total cash in banks	**314,617**	**740,442**
Allowance for expected credit losses	(756)	(877)
Total net cash in banks	**313,861**	**739,565**

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity provides for reasonable assurance of constant liquidity, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures sufficient cash and cash equivalents available at the first demand to meet expected short-term operating expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The contractual maturities of the Group's non-derivative financial liabilities including future interest payments as at 31 December 2021 are as follows:

(in thousands of Ukrainian hryvnias)	Carrying amount	Contractual cash flows	On demand	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 2 years	More than 2 years
Loans and borrowings								
Bank loans	1,504,295	1,510,300	329,008	12,502	14,667	71,095	576,913	506,115
Suppliers loans	21,124	21,676	–	–	–	2,787	2,787	16,102
Interest payable	8,836	205,816	566	6,982	20,283	70,872	64,744	42,369
Total loans and borrowings	**1,534,255**	**1,737,792**	**329,574**	**19,484**	**34,950**	**144,754**	**644,444**	**564,586**
Trade and other payables	545,498	545,498	–	545,498	–	–	–	–
Other current liabilities	21,569	42,382	–	15,316	4,901	22,165	–	–
Other long-term financial liabilities	41,726	185,547	–	–	–	–	29,773	155,774
Lease liabilities	734,496	1,163,120	–	14,133	28,270	127,106	169,255	824,356
Total	**2,877,544**	**3,674,339**	**329,574**	**594,431**	**68,121**	**294,025**	**843,472**	**1,544,716**

The contractual cash flows from the loans and borrowings (including interest payments) are reported taking into account the consequences of the failure to comply with the financial covenants under the loan from the domestic bank (Note 13). The contractual cash flows for this loan are as follows as at 31 December 2021:

- UAH 7,876 thousand of the interest accrued for the period up to 1 year;

- UAH 71,360 thousand of the principal and UAH 7,155 thousand of the interest accrued for the period from 1 to 2 years;

- UAH 257,648 thousand of the principal and UAH 10,128 thousand of the interest accrued for the period from over 2 years;

27. Financial risk and capital management (continued)

The contractual maturities of the Group's non-derivative financial liabilities including future interest payments as at 31 December 2020 are as follows:

(in thousands of Ukrainian hryvnias)	Carrying amount	Contractual cash flows	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 2 years	More than 2 years
Loans and borrowings							
Bank loans	1,562,316	1,574,434	–	–	215,391	664,869	694,174
Loans from suppliers	64,563	65,089	–	–	–	3,014	62,075
Interest payable	19,450	1,053,748	10,722	21,614	156,081	163,451	701,880
Total loans and borrowings	**1,646,329**	**2,693,271**	**10,722**	**21,614**	**371,472**	**831,334**	**1,458,129**
Trade and other payables	420,817	420,817	420,817	–	–	–	–
Other current liabilities	40,798	59,166	19,412	7,228	32,526	–	–
Other long-term financial liabilities	621,829	902,540	–	–	–	58,368	844,172
Lease liabilities	370,133	670,436	7,653	15,306	68,879	91,838	486,760
Total	**3,099,906**	**4,746,230**	**458,604**	**44,148**	**472,877**	**981,540**	**2,789,061**

Currency risk

The Group incurs foreign currency risk related to transactions with foreign operators and to borrowings that are denominated in a currency other than hryvnia. The currencies giving rise to this risk are primarily the US dollar and Euro. Ukrainian legislation restricts the Group's ability to hedge its exposure to foreign currency risk, and, accordingly, the Group does not hedge its exposure to foreign exchange risk. However, the currency risk is taken into account by management when selecting a currency of settlements with telecommunication operators and suppliers of goods and services.

The exposure to foreign currency risk is as follows:

(in thousands of Ukrainian hryvnias)	**USD-denominated**		**Euro-denominated**	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Trade accounts receivable	19,928	23,117	16,142	10,861
Cash and cash equivalents	4,340	78,898	113,878	173,391
Current portion of long-term loans and borrowings	(30,709)	(222,661)	(44,201)	(1,159)
Long-term loans and borrowings	(366,169)	(421,323)	(685,777)	(350,871)
Short-term loans and borrowings	–	–	–	(12,209)
Trade accounts payable	(14,174)	(11,593)	(70,646)	9,589
Net long/(short) position	**(386,784)**	**(553,562)**	**(670,604)**	**(170,398)**

A 10 percent weakening of the Ukrainian hryvnia against the following currencies at 31 December would have increased net losses and decreased equity by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates, remain constant.

(in thousands of Ukrainian hryvnias)	**31 December 2021**	**31 December 2020**
USD	(31,716)	(45,392)
EUR	(54,990)	(13,973)

A 10 percent strengthening of the Ukrainian hryvnia against these currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect income or the value of holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Group incurs financial liabilities in order to manage market risks. All such transactions are carried out within the guidelines set by management. The Group does not apply hedge accounting in order to manage volatility in profit or loss.

27. Financial risk and capital management (continued)

Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be at fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favorable to the Group over the expected period until maturity.

Effective interest rates of financial instruments are disclosed in Note 14. The revision of the interest rate both for instruments with a fixed interest rate and for instruments with a floating interest rate occurs at maturity.

As the Group normally has no significant interest bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rate. The Group's interest rate risk arises from long-term and short-term borrowings. As at 31 December 2021, 73.70% of the total borrowings was provided to the Group at floating interest rates (31 December 2020: 60.53%).

Effective interest rates of financial instruments are disclosed in Note 13. The revision of the interest rate both for instruments with a fixed interest rate and for instruments with a floating interest rate occurs at maturity.

A change of 100 basis points in interest rates would have changed net loss and equity by UAH 11,367 thousand (31 December 2020: UAH 9,924 thousand) as a result of higher/lower net interest expense on variable rate financial assets and liabilities. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Other market price risk

The Group does not enter into commodity contracts unless it is necessary for the expected consumption and sales. These contracts are not settled on a net basis.

Master netting or similar agreements

The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors both the composition of shareholders, as well as the return on capital.

Management seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantage and security afforded by a sound capital position.

There were no changes in the approach to capital management during the reporting period.

As at 31 December 2021, net assets of the Group in the amount of UAH 11,913,809 thousand (31 December 2020: UAH 9,970,387 thousand) exceed the Group's registered share capital of UAH 4,681,562 thousand (31 December 2020: UAH 4,681,562 thousand), as indicated in the Charter.

28. Commitments

Capital commitments

As at 31 December 2021, the Group had contractual commitments for the purchase of property, plant and equipment for the amount of UAH 210,070 thousand (31 December 2020: UAH 22,005 thousand), as well as to purchase software and other intangible assets for UAH 24,127 thousand (31 December 2020: UAH 22,015 thousand).

Lease commitments

As at 31 December 2021, the Group had lease commitments in respect of technical premises and infrastructure facilities not recognised within right-of-use assets under IFRS 16 in the total amount of UAH 29,727 thousand (31 December 2020: UAH 27,552 thousand) and in respect of land lease minimal payments in amount of UAH 124,606 thousand (31 December 2020: UAH 108,877 thousand).

29. Contingencies

Insurance

The Group does not have full coverage for its plant facilities, business interruption, or third party liability for property or environmental damage arising from accidents on property or relating to operations as management obtains insurance coverage only if it believes it is economically feasible. Management believes that, based on their assessment of insurance risks and the availability and affordability of insurance products in Ukraine, the significant risks are appropriately addressed, in particular for assets pledged to lenders of the Group. However, until more comprehensive insurance coverage is obtained by the Group, the potential loss or destruction of certain assets results in corresponding risks to the operations and financial position.

29. Contingencies (continued)

Land use

As at 31 December 2021, part of land plots, utilised by the Group y in operating activities under equipment and real estate, was used by the Group without updated full package of legally formalised documents including cadastral numbers, but at the same time the Group pays all legally required tax payments related to abovementioned land plots according to legislation.

The Group on regular and continuing basis aligns land relations in accordance with recent regulatory requirements and laws. According to the operational plan, during 2021 the Group partially performed and will continue to perform update of entitlement documents in order to align with requirements of current land legislation.

Taxation contingencies

The Ukrainian taxation system can be characterised by numerous taxes and frequently changing legislation, which may be applied retrospectively, open to wide interpretation and in some cases conflicting. Instances of inconsistent opinions between local, regional, and national tax authorities and between the National Bank of Ukraine and the Ministry of Finance are not unusual.

Tax returns are subject to verification by the tax authorities, which are legally authorized to apply penalties, as well as to charge fines. The tax year remains open for inspections conducted by the tax authorities during the next three calendar years. In certain circumstances, however, the tax year may remain open longer. These facts create more serious tax risks in Ukraine, compared to the usual risks existing in countries with more developed taxation systems.

Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant. As at 31 December 2021 and 2020, no provision attributable to taxation contingencies was created by the Group.

Transfer pricing

Given the complexity of the telecommunication business and that the practice of implementation of the new transfer pricing rules is still not developed in Ukraine, the impact of any challenge of Group's transfer prices cannot be measured reliably. Inconsistencies in the application and interpretation of transfer pricing rules may ultimately lead to litigation between the Group and the tax authorities, the results of which are unpredictable and, as a result, may have a material impact on the Company financial position and/or operations as a whole, depending on how authorities will like to apply the TP rules.

The Group executes certain transactions that are subject to control according to the transfer pricing legislation in Ukraine, in particular, during 2017-2021 the Group was involved in the controlled transactions in respect of international traffic termination and consulting services. Prices for such transactions are set according to market principles. The management takes all necessary steps to ensure continued compliance with transfer pricing legislation. Specific control procedures were implemented within the Group to identify, challenge and support controlled transactions, and as such ensure compliance with transfer pricing legislation.

30. Balances and transactions with related party

The Group enters into transactions with related parties in the ordinary course of business. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party when making financial and operational decisions. Related parties comprise shareholders, key management personnel and their close family members, and companies that are controlled or significantly influenced by shareholders. Prices for related party transactions are determined on an ongoing basis. The terms of transactions with some related party transactions may differ from market terms.

Parent and ultimate controlling party

As at 31 December 2021 and 2020, the Group`s immediate parent company is LLC "ESU".

Starting from 30 September 2013, the Group's ultimate parent company is SCM investment company and its ultimate beneficiary owner, Mr. Rinat Akhmetov, who has the power to govern the transactions of the Group at his own discretion and for his own benefit. Prior to that date the Group's ultimate parent company and ultimate controlling party was Austrian company Epic.

30. Balances and transactions with related party (continued)

Transactions with key management personnel

During the years ended 31 December key management received the following remuneration, which is included in payroll expenses:

(in thousands of Ukrainian hryvnias)	**2021**	**2020**
Short-term employee benefits	86,184	83,388
	86,184	**83,388**

The key management personnel are those individuals that have authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly.

The key management of the Group are presented by the Members of the Supervisory Board, the Director of the Group, the Leaders of the Functional Streams.

Balances and transactions with the immediate shareholder

The terms of the interest-free loan are disclosed in Note 10.

(in thousands of Ukrainian hryvnias)	**2021**	**2020 (restated)**
Balances		
Interest bearing bonds issued by the parent company (Note 10)	675,076	575,295
Interest-free loans and other receivables from the parent company (Note 10)	633,115	539,537

The amounts owed by parent are overdue and payable on demand. Cumulative loss on change in fair value of the receivables due from the parent was UAH 339,262 thousand as at 31 December 2021 (2020: UAH 432,840 thousand). Cumulative loss on change in fair value of the bonds issued by the parent was UAH 361,744 thousand as at 31 December 2021 (2020: UAH 461,525 thousand).

Transactions with subsidiaries/associates of the ultimate parent company

Credit terms on sales and purchase transactions with subsidiaries/associates of the ultimate parent company are set within the range of 30-60 days.

(in thousands of Ukrainian hryvnias)	**2021**	**2020**
Balances		
Trade accounts receivable	3,553	10,530
Advances paid	30,801	6,792
Trade accounts payable	(41,373)	(16,785)
Other current liabilities	(384)	(782)
Transactions		
Sales of equipment and services	63,746	90,594
Interest income	3,531	7,296
Purchases of equipment and services	(523,011)	(410,504)

As at 31 December 2021 and 2020 none of the balances with related parties are secured.

As at 31 December 2021, the Group's property pledged in favour of one of the companies under control of the ultimate parent company was released from encumbrance (31 December 2020: UAH 292,669 thousand).

31. Subsequent events

On 24 February 2022, Russian Federation launched a full-scale military invasion of Ukraine. ON 24 February 2022, the President of Ukraine declared the martial law, and the Chamber of Commerce and Industry of Ukraine confirmed that the said circumstances starting from 24 February 2022 until their official end, shall be treated as extraordinary and unavoidable, i.e. as the force majeure. The impact of the large-scale military operations on the Group's operating environment is disclosed in Note 1.

As at the date these consolidated financial statements have been approved for issue, the future impact of the large-scale hostilities on the Group's consolidated financial position and performance cannot be estimated, however, management continues to assess losses, including determining the carrying amount of damaged equipment and property according to accounting records and their fair values. If necessary, certain replacements are carried out in the Group's network. It should be noted that the preliminary estimate of the book value of destroyed buildings, lost equipment and other assets in the temporarily occupied territories, considering lack of access for a thorough inspection and identification of items affected, comprises circa more than UAH 600 million, which does not exceed 7% of the Group's total assets value.

In addition, in May-June 2022, the Group restructured a loan agreement with a domestic bank, fixing the applicable interest rate at the level of 13% for the first tranche and 15% for the second tranche and changing the currency of the agreement to UAH to reduce financial costs and minimize currency and interest rate risks.

General Director	Finance Director	Chief Accountant
Kurmaz Y.P.	Kotsyumbas L.Y.	Skliarevska D.I.
09 / 12 / 2022		

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