JOINT STOCK COMPANY "UKRPOSHTA"

FINANCIAL STATEMENTS

ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As of and for the year ended 31 December 2023,

Together with the Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of JSC "Ukrposhta"

The National Securities and Stock Market Commission

Report on the audit of financial statements

An opinion with a note of caution

We have audited the accompanying financial statements of Joint Stock Company "Ukrposhta" (USREOU code: 21560045, registered office: 22 Khreshchatyk Str., Kyiv, 01001, Ukraine; hereinafter referred to as the "Company"), which comprise

- statement of financial position as of 31 December 2023;
- statement of comprehensive income for the year ended 31 December 2023;
- statement of cash flows (using the indirect method) for the year ended 31 December 2023;
- statement of changes in equity for the year ended 31 December 2023;
- notes to the financial statements, including significant accounting policies.

In our opinion, except for the possible effect of the matter described in the Basis for qualified opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine".

Basis for expressing a qualified opinion

Impairment of property, plant and equipment

As of 31 December 2023, the Company assessed the recoverable amount of property, plant and equipment and concluded that their carrying amount did not exceed this amount. Accordingly, the Company did not recognise any impairment losses in the Statement of Financial Performance for 2023 and did not adjust the amounts recognised in the Statement of Financial Position as of 31 December 2023. Taking into account that the previous auditor, expressed a qualified opinion on the possible effect of the absence of an estimate of the recoverable amount as at 31 December 2022 in its report dated 24 April 2023, our opinion is not qualified, such an assessment as at 31 December 2022 could have resulted in the need to recognise impairment gains and losses in the 2023 income statement that may have differed from those recognised in the accompanying 2023 financial statements. We were unable to obtain sufficient and appropriate audit evidence about the effect of this matter on the Company's impairment income and expense, income tax and financial result as reported in the 2023 Income Statement.

BDO LLC is a company incorporated and operating under the laws of Ukraine, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with those 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.

Material uncertainty related to going concern

We draw attention to Note 2 to these financial statements, which describes events and conditions that have arisen due to the military invasion of Ukraine by the Russian Federation that began on 24 February 2022 and is ongoing, the effects of which on the Company's operations are unpredictable. As described in Note 2, these events or conditions together with other matters described in Note 2 indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion on this matter has not been modified.

Explanatory paragraph

We draw attention to Note 2 in the financial statements, which describes the impact of a number of legal proceedings that may have a material effect on the future operations of the Company. Our opinion is not modified in respect of this matter.

Key audit issues

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company's financial statements for the current period. These matters were considered in the context of our audit of the Company's financial statements as a whole and were taken into account in forming our opinion thereon, and we do not express a separate opinion on them. In addition to the matters described in the Basis for qualified opinion and Going concern matters, we determined that the matters described below are the key audit matters that should be communicated in our report.

Key audit issue	Description of audit procedures performed
1 **Effect of a covenant breach on the Company's financial statements, including classification of liabilities and related disclosures**	
The Company has a loan agreement in accordance with the terms of which the Company's management is required to determine whether the specific terms of the loan agreement have been breached and report accordingly and, if appropriate, reclassify the Long-term liabilities to current liabilities. The Company has received letters from the lender not to exercise the right of early repayment of the loan.	Our audit procedures in respect of subsequent events included the following: ▪ Discussion with management and financial personnel about the existence of a breach of covenants and related disclosures in the financial statements;

The Company has recorded the respective loans in Non-current liabilities and provided the related disclosures in Note 15 "Borrowings".

Given the significance of this issue, we have planned procedures to verify the availability of the relevant lender exemption and the completeness and accuracy of the disclosures.

- Establishing the requirements of the loan agreement and recalculating the relevant liabilities by the auditors based on the latest data from the company's financial statements for 2023;
- Confirmation of the classification of the Company's liabilities as long-term/current;

In addition, we assessed the adequacy of the disclosures in Note 15 "Borrowings" to the Company's financial statements.

Other issues

The Company's financial statements for the year ended 31 December 2012 were audited by another auditor, who expressed a qualified opinion on the possible effect of the lack of an estimate of the recoverable amount of property, plant and equipment as at 31 December 2012 in their report dated 24 April 2023 and the effect of other matters relating to 2021.

Other information

The Company's management is responsible for the other information prepared as at and for the year ended 31 December 2023.

Other information consists of:

- Management Report for 2023, prepared in accordance with the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" dated 16.07.1999 No. 996-XIV, as amended;
- Annual information of the issuer of securities for 2023, prepared in accordance with the requirements of the Regulation on Disclosure of Information by Issuers of Securities and Persons Providing Security for Such Securities, approved by the Decision of the National Securities and Stock Market Commission dated 06.06.2023 No. 608;

Our qualified opinion on the Company's financial statements does not cover the other information and we do not express any form of assurance on the other information. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that the other information is materially misstated, we are required to communicate that fact.

Management report

The Company has prepared a Management Report, of which the Corporate Governance Report is a part, for 2023 on 24 April 2024 and plans to publish it together with this independent auditor's report. In the 2023 Governance Report, we have not identified any material inconsistencies between the other information and the financial statements or our knowledge obtained in the audit, or whether the other information appears to be materially misstated, and we have not identified any matters that we would have required to be included in our independent auditor's report.

Report on annual information of the issuer of securities

The Company expects to prepare and publish the 2023 Annual Information of the Issuer of Securities after the date of publication of this independent auditor's report. After receiving and reviewing the Annual Information of the issuer of securities, if we conclude that there is a material misstatement, we will further communicate the matter to those charged with governance. The Company's management is responsible for the preparation and fair presentation.

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

The Company's management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" dated 16.07.1999 No. 996-XIV on financial reporting and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement.

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

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

The auditor's responsibility for the audit of financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it does not provide assurance that an audit conducted in accordance with ISAs will always detect a material misstatement, if any. 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 financial statements.

In conducting an audit in accordance with ISAs, we exercise professional judgement and professional scepticism throughout the audit engagement. In addition, we:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is greater than that of a misstatement resulting from error because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or overrides of internal controls;
- 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 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with assurance that we have met the relevant ethical requirements for independence and disclose to them all relationships and other matters that could reasonably be expected to bear on our independence and, where applicable, appropriate safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the current period's financial statements, which are the key audit matters. We describe those matters in our auditor's report, unless public disclosure is prohibited by law or regulation or, in extremely exceptional circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of such communication would likely outweigh its benefits to the public.

Report on the requirements of other laws and regulations

1 Reporting pursuant to the requirements of part 4 of Article 14 of the Law of Ukraine "On the Audit of Financial Statements and Auditing Activities" dated 21.12.2017 No. 2258-VIII on the provision of additional information on the results of the mandatory audit of an enterprise of public interest:

- BDO LLC was appointed to perform this statutory audit engagement at the meeting of the Audit Committee of JSC "Ukrposhta", Minutes No. 1 dated 30 January 2023, based on a competitive tender. The section "Report on the audit of the financial statements" of this independent auditor's report discloses information on the scope of the audit and limitations inherent in the audit.
- The total duration of the statutory audit engagement of the Company's financial statements by BDO LLC is one year. For BDO LLC, this is also the first year of the statutory audit of the Company's financial statements after the Company was recognised as a public interest entity in accordance with the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" dated 16.07.1999 No. 996-XIV.
- In the Basis for qualified opinion, Going concern and key audit matters sections of this report, we have described the matters of significance in our audit of the current period's financial statements that, in our professional judgement, should be brought to our attention. These matters were considered in the context of our audit of the financial statements as a whole and were taken into account in forming our opinion thereon, and we do not express a separate opinion on these matters.
- In the course of this statutory audit engagement, we did not identify any matters in relation to our audit estimates other than those described in the Basis for qualified opinion, Material uncertainty related to going concern and Key audit matters sections of this report, which we consider appropriate to disclose in accordance with the requirements of paragraph 4.3 of Article 14 of the Law of Ukraine "On Audit of Financial Statements and Auditing Activities" dated 21.12.2017 No. 2258-VIII.
- The information contained in this independent auditor's report on the audit of the Company's financial statements has been consistent with the information in the Supplemental Report to the Audit Committee dated April 2024, 23.
- During 2023, BDO LLC provided the following services:
  - review of the Company's condensed interim financial statements as of 30 June 2023 and related notes;
  - performed the engagement to express limited assurance on whether the Report on the Effects of Redemption of the Series C Bonds prepared by the Company was prepared in accordance with Annex 25 to the Regulations on the Procedure for Issuing Corporate Bonds, Bonds of International Financial Institutions and Their Circulation and in accordance with the information available in the Company's accounting system and the evidence provided in the form of available primary documents.

- BDO LLC and the key audit partner are independent of the Company in accordance with the requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). During the course of our audit, we did not identify any additional facts or matters that could affect our independence that we would like to bring to your attention.

- BDO LLC did not provide the Company with any other services prohibited in accordance with the requirements of Article 6 of the Law of Ukraine "On the Audit of Financial Statements and Auditing Activities" dated 21.12.2017 No. 2258-VIII during 2023 and in the period from 01 January 2024 to the date of signing this independent auditor's report.

2 Reporting pursuant to the requirements of the Decision of the NSSMC dated 22.07.2021 No. 555 "On Approval of the Requirements for Information Regarding the Audit or Review of Financial Statements of Participants in Capital Markets and Organised Commodity Markets Supervised by the NSSMC"

The financial statements of JSC "Ukrposhta" were audited in accordance with the agreement No. 260123-05E on the provision of audit services dated 27 January 2023 for the period from 27 January 2023 to the date of this report. The Company is an enterprise of public interest in accordance with the Law of Ukraine "On Accounting and Financial Reporting" dated 16.07.1999 No. 996-XIV. The Company is not a controller/participant of a non-banking financial group.

Information on the ultimate beneficial owner and ownership structure

In our opinion, the information disclosed in Note 1 in these financial statements is consistent with the information on the ultimate beneficial owner and ownership structure of the Company as disclosed in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organisations.

Information about the Company's parent and subsidiaries

As disclosed in Note 1 to these financial statements, as at the beginning and end of the reporting period, the Company had no parent company and no subsidiaries.

Reporting on the corporate governance report as a component of the separate governance report

The information set out in this report is the result of our procedures as part of the audit of the Company's financial statements for 2023 and procedures on the corporate governance report as part of the Management Report, which is included in the Other Information section of this Independent Auditor's Report. These procedures included checking whether the information in the corporate governance report does not contradict the financial statements and considering the compliance of the presentation of information in the corporate governance report with the requirements of part three of Article 127 of the Law of Ukraine "On Capital Markets and Organised Commodity Markets" and clause 43 of the Regulation on Disclosure of Information by Securities Issuers and Persons Providing Security for Such Securities, approved by the decision of the NSSMC dated 06.06.2023 No. 608 (Regulation 608).

The preparation of the corporate governance report in accordance with the requirements of part three of Article 127 of the Law of Ukraine "On Capital Markets and Organised Commodity Markets" and Regulation 608 is the responsibility of the Company's management.

Based on the results of our audit procedures, taking into account the knowledge and understanding of the Company's activities formed during the audit, in all material respects:

- The information required by paragraphs 1-4 of part three of Article 127 of the Law of Ukraine "On Capital Markets and Organised Commodity Markets" and subparagraphs 1-5 of paragraph 43 of Regulation 608 is disclosed in the Corporate Governance Report, which is an integral part of the Company's Management Report (Management Report) for 2023;

- The Corporate Governance Report, which is an integral part of the Management Report (Management Report) of the Company for 2023, discloses the information required by paragraphs 5-9 of part three of Article 127 of the Law of Ukraine "On Capital Markets and Organised Commodity Markets" and subparagraphs 6-11 of paragraph 43 of Regulation 608. This information is consistent with the information on corporate governance obtained by us during the audit and complies with the requirements of the applicable law.

The audit was led by the key audit partner Alexander Nikolayevich Nikolayenko.

The key audit partner is O. M. Nikolayenko.

Registration number in the Register of Auditors and Audit Entities: 101534

м. Kyiv, 24 April 2024

BDO Limited Liability Company. Identification code according to EDRPOU: 20197074. Registration number in the Register of Auditors and Audit Entities: 2868. Legal address: 4, Andriy Fabra Str., Dnipro, 49070. Tel 044-393-26-91, website www.bdo.ua.

BDO LLC is included in the Register of Auditors and Audit Entities in section 4 "Audit Entities entitled to conduct statutory audits of financial statements of enterprises of public interest". Link to the register: https://www.apu.com.ua/subjekty-audytorskoi-dijalnosti-jaki-majut-pravo-provodyty-obovjazkovyj-audyt-finansovoi-zvitnosti-pidpryjemstv-shho-stanovljat-suspilnyj-interes/

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Management is responsible for the preparation of the financial statements that present fairly the financial position of Joint Stock Company "Ukrposhta" (the "Company") as at 31 December 2023 and its financial performance, cash flows and changes in equity for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" on the preparation of financial statements (the "Law on Accounting and Financial Reporting").

In preparing the financial statements, management is responsible for:

- Appropriate selection and application of accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- Assessing the Company's ability to continue as a going concern.

Management is also responsible for:

- Developing, implementing and maintaining an effective and reliable system of internal control throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and which enable management to ensure that the Company's financial statements comply with IFRS;
- maintaining accounting records in accordance with Ukrainian legislation and IFRS;
- taking reasonably available measures to preserve the Company's assets; and
- Preventing and detecting fraud and other irregularities.

The Company's audited financial statements for the year ended 31 December 2023 were authorised for issue by management on 24 April 2024.

On behalf of the management:

I. Smelyansky General Director	M. Paliy Deputy General Director for Finance	K. Klymenko Chief Accountant

Company: **JSC "Ukrposhta"**
Territory: **Ukraine, Kyiv, Shevchenkivskyi district**
Organisational and legal form of business: **State joint-stock company (company)**
Type of economic activity: **National postal services**
Average number of employees: **34 751**
Address, phone number: **22 Khreshchatyk Street, Kyiv**
Unit of measurement: UAH thousand, without decimal point
Prepared (mark a "v" in the appropriate cell):

under the Accounting Regulations (Standards)	
in accordance with International Financial Reporting Standards	v

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

Form No. 1 Classification code 1801001

Asset	Note	Line code	31 December 2022 p.	31 December 2023 p.
I. Non-current assets				
Intangible assets	9	1000	115 895	123 622
historical cost		1001	143 589	153 625
amortisation		1002	(27 694)	(30 003)
Capital investments in progress	9	1005	295 454	324 447
Property, plant and equipment	9	1010	3 870 901	4 041 107
historical cost		1011	6 847 341	7 521 947
depreciation		1012	(2 976 440)	(3 480 840)
Investment property	9	1015	68 961	65 522
historical cost		1016	79 104	78 166
depreciation		1017	(10 143)	(12 644)
Other financial investments	11	1035	12 579	13 418
Long-term receivables		1040	180	166
Deferred tax assets	30	1045	87 652	255 571
Total for section I		**1095**	**4 451 622**	**4 823 853**
II. Current assets				
Inventory	10	1100	564 624	455 388
production stock		1101	348 417	331 631
work in progress		1102	-	-
finished goods		1103	-	-
Goods for resale		1104	216 207	123 757
Receivables for goods, works and services	11	1125	325 063	555 585
Receivables from settlements: for advances issued	11	1130	74 177	150 544
with the budget	11	1135	9 193	8 481
including corporate profit tax prepaid		1136	20	20
from accrued income	11	1140	19 958	7 802
Other current receivables	11	1155	114 114	130 809
Current financial investments	12	1160	585 098	-
Cash and cash equivalents	12	1165	3 132 038	5 233 842
Cash on hand		1166	339 238	118 937
Current accounts with banks		1167	2 792 800	5 114 905
Other current assets		1190	68 977	76 110
Total for section II		**1195**	**4 893 242**	**6 618 561**
III. Non-current assets held for sale and disposal groups	**9**	**1200**	**73 819**	**60 539**
BALANCE		**1300**	**9 418 683**	**11 502 953**

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) (CONTINUED)

Form No. 1 Classifier code 1801001

Liabilities	Note	Line code	31 December 2022 p.	31 December 2023 p.
I. Equity				
Registered (share) capital	14	1400	6 518 597	6 518 597
Revaluation effect on corporatisation	14	1416	(5 254 038)	(5 254 038)
Retained earnings		1420	155 241	(641 120)
Total for section I		**1495**	**1 419 800**	**623 439**
II. Long-term liabilities and provisions				
Deferred tax liabilities	30	1500	-	-
Long-term bank borrowings	15	1510	863 115	795 276
Other long-term liabilities	15	1515	266 211	451 034
Total for section II		**1595**	**1 129 326**	**1 246 310**
III. Current liabilities and provisions				
Short-term bank borrowings	15	1600	3 381	-
Current payables for: long-term liabilities	15	1610	431 583	485 913
goods, works, services	16	1615	2 778 229	3 498 755
settlements with the budget		1620	72 700	96 248
including liability on income tax		1621	-	-
insurance		1625	55 209	47 310
payroll		1630	202 725	185 917
Current payables on advances received		1635	213 236	172 698
Current payables for settlements with shareholder		1640	-	-
Accruals and other provisions	17	1660	619 143	919 501
Deferred revenue	18	1665	319 253	344 135
Other current liabilities	19	1690	2 174 098	3 882 727
Total for section III		**1695**	**6 869 557**	**9 633 204**
BALANCE		**1900**	**9 418 683**	**11 502 953**

Approved for issue and signed on 24 April 2024.

I. Smelyansky
General Director

M. Paliy
Deputy General Director for Finance

K. Klymenko
Chief Accountant

STATEMENT OF FINANCIAL RESULT (STATEMENT OF COMPREHENSIVE INCOME)

for 2023

Form No. 2 Classifier code 1801003

I. FINANCIAL RESULTS

Item	Note	Line code	For the reporting period - 2023	For the previous period - 2022
1		2	3	4
Net revenue from sales of goods, works and services	20	2000	11 581 111	10 323 419
Cost of sales of goods, works and services	21	2050	(10 656 528)	(9 926 858)
Gross:				
Profit		2090	**924 583**	**396 561**
Loss		2095	-	-
Other operating income	27	2120	305 082	179 762
Administrative expenses	23	2130	(1 429 681)	(1 148 387)
Selling expenses	22	2150	(281 252)	(207 900)
Other operating expenses	24	2180	(379 726)	(411 903)
Financial result from operating activities:				
Profit		2190	-	-
Loss		2195	**(860 994)**	**(1 191 867)**
Other financial income	25	2220	127 299	140 419
Other income	28	2240	99 216	126 412
Financial expenses	26	2250	(177 920)	(115 054)
Other expenses	29	2270	(151 881)	(493 072)
Financial result before tax:				
Profit		2290	-	-
Loss		2295	**(964 280)**	**(1 533 162)**
Income tax (expenses)/credit	30	2300	167 919	275 073
Net financial result:				
Profit		2350	-	-
Loss		2355	**(796 361)**	**(1 258 089)**

II. COMPREHENSIVE INCOME

Item	Note	Line code	For the reporting period - 2023	For the previous period - 2022
1		2	3	4
Revaluation of non-current assets		2400	-	-
Other comprehensive income		2445	-	-
Other comprehensive income before taxation		**2450**	-	-
Income tax arising on other comprehensive income		2455	-	-
Other comprehensive income after taxation		**2460**	-	-
Total comprehensive income (total of lines 2350, 2355 and 2460)		**2465**	**(796 361)**	**(1 258 089)**

STATEMENT OF FINANCIAL RESULTS (STATEMENT OF COMPREHENSIVE INCOME)
for 2023
(continued)

Form No. 2

III. ELEMENTS OF OPERATING EXPENSES

Item	Note	Line code	For the reporting period - 2023	For the previous period - 2022
1		2	3	4
Material expenses		2500	1 122 506	942 235
Payroll		2505	5 974 643	5 469 472
Social security tax		2510	1 300 245	1 275 354
Depreciation/amortisation		2515	718 363	582 986
Other operating expenses		2520	3 298 839	3 074 363
Cost of goods sold		2530	332 591	350 638
Total		**2550**	**12 747 187**	**11 695 048**

IV. CALCULATION OF SHARES PROFITABILITY

Item	Note	Line code	For the reporting period - 2023	For the previous period - 2022
1		2	3	4
Average annual number of ordinary shares		2600	-	-
Adjusted average annual number of ordinary shares		2605	-	-
Net profit/(loss) per ordinary share		2610	-	-
Adjusted net profit/(loss) per ordinary share		2615	-	-
Dividends per ordinary share		2650	-	-

Approved for issue and signed on 24 April 2024.

I. Smelyansky
General Director

M. Paliy
Deputy General Director for Finance

K. Klymenko
Chief Accountant

STATEMENT OF CASH FLOWS (INDIRECT METHOD)

for 2023

Form No. 3 Classification code 1801004

Item	Note	Line code	For the reporting period - 2023	For the previous period - 2022
1		2	3	4
I. Cash flows from operating activities				
Profit/(loss) before taxation		3500	(964 280)	(1 533 162)
Adjustments for: Depreciation, amortisation and impairment of non-current assets		3505	724 518	799 895
Increase (decrease) in provisions		3510	315 356	55 753
Unrealized foreign exchange loss/(gain)		3515	242 006	401 316
Loss/(gain) from non-operating activities and other non-cash transactions		3520	103 286	(65 383)
Financial expenses	26	3540	177 920	115 054
Financial income	25	3524	(127 299)	(140 419)
Decrease (increase) of current assets		3550	(238 245)	(228 980)
Increase (decrease) of current liabilities		3560	2 387 458	39 899
Increase (decrease) of deferred income		3566	24 882	(179 802)
Cash flows from operating activities		**3570**	**2 645 602**	**(735 829)**
Income tax paid		3580	-	(23 748)
Interest paid		3585	(189 928)	(108 993)
Net cash flows from operating activities		**3195**	**2 455 674**	**(868 570)**
II. Cash flows from investing activities				
Refund of short-term deposits		3200	585 098	924 136
Proceeds from sale of non-current assets		3205	44 173	94 714
Interest received		3215	138 265	126 494
Placement of short-term deposits		3255	-	-
Acquisition of property, plant and equipment and intangible assets		3260	(455 363)	(662 107)
Net cash flows from investing activities		**3295**	**312 173**	**483 237**
III. Cash flows from financing activities				
Proceeds from borrowings		3305	59 335	192 611
Dividends paid		3355	-	(55 075)
Repayment of lease liabilities		3365	(306 066)	(225 132)
Repayment of borrowings		3350	(177 306)	(141 948)
Net cash flows from financing activities		**3395**	**(424 037)**	**(229 544)**
Net cash flows for the reporting period		3400	2 343 810	(614 877)
Cash and cash equivalents at the beginning of the year		3405	3 132 038	3 893 395
Impact of change in foreign exchange rates		3410	(242 006)	(146 480)
Cash and cash equivalents at the end of the year	**12**	**3415**	**5 233 842**	**3 132 038**

Approved for issue and signed on 24 April 2024.

I. Smelyansky
General Director

M. Paliy
Deputy General Director for Finance

K. Klymenko
Chief Accountant

STATEMENT OF CHANGES IN EQUITY

for 2023

Form No. 4
1801005

Classification code

Item	Line code	Registered (share) capital	Revaluation effect of corporatisation	Retained earnings	Total
1	2	3	4	5	6
Balance at the beginning of the year	**4000**	**6 518 597**	**(5 254 038)**	**155 241**	**1 419 800**
Adjusted balance at the beginning of the year	**4095**	**6 518 597**	**(5 254 038)**	**155 241**	**1 419 800**
Net loss for the reporting period	4100	-	-	(796 361)	(796 361)
Total changes in equity	**4295**	-	-	(796 361)	**(796 361)**
Balance at the end of the year	**4300**	**6 518 597**	**(5 254 038)**	**(641 120)**	**623 439**

STATEMENT OF CHANGES IN EQUITY

for 2022

Form No. 4

Classification code 1801005

Item	Line code	Registered (share) capital	The effect of revaluation on corporatisation	Retained earnings	Total
1	2	3	4	5	6
Balance at the beginning of the year	4000	**6 518 597**	**(5 254 038)**	**1 413 330**	**2 677 889**
Adjusted balance at the beginning of the year	4095	**6 518 597**	**(5 254 038)**	**1 413 330**	**2 677 889**
Net profit for the reporting period	4100	-	-	(1 258 089)	**(1 258 089)**
Total changes in equity	**4295**	-	-	(1 258 089)	**(1 258 089)**
Balance at the end of the year	**4300**	**6 518 597**	**(5 254 038)**	**155 241**	**1 419 800**

Approved for issue and signed on 24 April 2024.

I. Smelyansky
General Director

M. Paliy
Deputy General Director for Finance

K. Klymenko
Chief Accountant

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

1. JOINT STOCK COMPANY "UKRPOSHTA"

Joint Stock Company "Ukrposhta" ("JSC "Ukrposhta" or the "Company") is an entity with its 100% shares held by the State of Ukraine, which is managed by the Ministry for Communities, Territories and Infrastructure Development of Ukraine. The Company was established in 1947 during the rule of the Soviet Union. It was reorganised as Ukrainian state Enterprise of Postal Service “Ukrposhta” (hereinafter - USEPS “Ukrposhta”) in 1994. In February 2016, the Government of Ukraine decided to re-organise Ukrposhta from a state owned enterprise to a JSC. In March 2017, Ukrposhta was registered as a PJSC under the laws of Ukraine. The Company’s shares are not listed on any international or local exchanges. In December 2018, a type of a public joint stock company was changed from public to private and the Company was renamed into Joint Stock Company "Ukrposhta".

The Company’s principle business is provision of postal and related services to the general public, governmental entities and businesses, namely:

- postal services (delivery of letters, parcels and postcards locally and internationally);
- delivery of pensions and selected social payments to individuals;
- financial services (acceptance of payment for utilities; domestic and international money transfers);
- Distribution of periodicals (managing subscription and delivery of periodicals); and
- sale of merchandise (including where the Company acts as an agent selling merchandise which belongs to other parties) and other services.

The founder and sole shareholder of JSC "Ukrposhta" is the State of Ukraine represented by the Ministry for Communities, Territories and Infrastructure Development of Ukraine. The Ministry for Communities, Territories and Infrastructure Development of Ukraine manages the state corporate rights in relation to the Company.

The Company's Supervisory Board is a collegial body that protects shareholder rights and supervises and regulates the Company's activities. Members of the Supervisory Board consisting of 6 persons, including 5 independent members, are elected by the General Meeting for a term of up to 3 years.

The composition of the Supervisory Board as at the date of approval of these financial statements is set out below:

Position.	NAME
Chairman of the Supervisory Board	Mr Jakub Karnowski
Deputy Chairman of the Supervisory Board	Mr Serhiy Derkach
Member of the Supervisory Board	Mr Rinat Abdrasilov
Member of the Supervisory Board	Mr Gary John Carroll
Member of the Supervisory Board	Mr Igor Mitiukov
Member of the Supervisory Board	Ms Olena Malynska

The General Director manages the Company's day-to-day operations.

As a national postal operator, the Company represents Ukraine, a member of the Universal Postal Union since 1947, in the Universal Postal Union and carries out postal operations with more than 100 national postal operators from other countries.

As of 31 December 2023, the Company had approximately 28,967 points of service in Ukraine and 34,751 employees.

The Company's registered address and principal place of business is 22 Khreshchatyk Street, Kyiv, 01001, Ukraine.

2. THE ENVIRONMENT IN WHICH THE COMPANY OPERATES

The Company operates in Ukraine, which is engaged in a full-scale war with the russian federation and is subject to martial law.

Throughout 2023, the economy recovered thanks to the high adaptability of businesses and households to the war and loose fiscal policy, which was supported by large-scale international financing. According to the National Bank of Ukraine, GDP grew by 5.7% in 2023 (after falling by 30.3% in 2022). Despite the war, economic growth is expected to continue. In 2024, real GDP is expected to grow by 3.6%, primarily due to continued high budget spending amid expected sufficient international assistance.

However, if the active phase of the war lasts longer, the economy is likely to grow more slowly. The aggressor country has not stopped trying to destroy the country's economic potential, so the risks to the economy, as well as the need for international assistance, have been significant. The main assumption is that high security risks will decrease significantly from 2025. A prolonged persistence of high security risks will have a negative impact on business and consumer sentiment, exchange rate and inflation expectations. This will also increase pressure on public finances and deepen problems in the labour market. Under this scenario, economic growth potential will be lower and inflationary pressures will be higher than currently expected.

Following its consistent policy, the National Bank of Ukraine decided to cut the key interest rate from 25% in June 2023 to 15% in December 2023. Given improved inflation expectations and a further slowdown in inflation, the current and projected rate cuts are consistent with the continued attractiveness of hryvnia savings. These steps support economic recovery while not posing a threat to macro financial stability.

Starting from 3 October 2023, the National Bank of Ukraine switched to a regime of managed exchange rate flexibility, continuing to implement its strategy of easing currency restrictions. The official exchange rate is determined on the basis of the interbank market rate and is no longer set by the National Bank of Ukraine as it was since 24 February 2022. At the same time, the National Bank of Ukraine continues to monitor the situation on the interbank foreign exchange market and seeks to significantly limit exchange rate fluctuations, preventing both a significant weakening of the hryvnia and a significant strengthening.

The consequences of the military aggression are large-scale destruction of civilian infrastructure, including industrial infrastructure, curtailment and sometimes suspension of operations by some businesses, disruption of logistics, large-scale forced displacement of people, etc.

Russia's military invasion of Ukraine has also affected international rating agencies' assessments of Ukraine's solvency. In 2023, Standard & Poor's assigned Ukraine's credit rating to CCC+ with a stable outlook. In February 2023, Moody's upgraded Ukraine's credit rating to Ca with a stable outlook, and in December 2023, Fitch affirmed Ukraine's credit rating at CC.

The consequences of the war are changing on a daily basis, and their impact in the long term is difficult to determine. The future impact on the Ukrainian economy depends on the outcome of the full-scale war, the successful implementation of new reforms by the Ukrainian government, the country's strategy for recovery and transformation with a view to EU membership, and cooperation with international funds.

Management continues to take efforts to identify and mitigate the impact on the Company, however, there are factors beyond its knowledge or control, including the duration and severity of the hostilities, the level of international support for Ukraine, and further governmental and diplomatic actions.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, except for other financial investments that are measured at fair value. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated (refer to Note 3).

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates.

It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Areas involving a particular degree of judgement, or areas of particular complexity, and areas where assumptions and estimates are critical to the preparation of the financial statements are described in Note 4.

These financial statements are presented in the national currency of Ukraine (UAH) and all amounts are rounded to the nearest thousand.

Going concern. As of 31 December 2023, the Company's current liabilities exceeded its current assets by UAH 3,014,643 thousand (31 December 2022: by UAH 1,976,315 thousand).

On 24 February 2022, the russian federation launched a full-scale military invasion of Ukraine. This was followed by the immediate adoption of martial law by the Decree of the President of Ukraine, approved by the Verkhovna Rada of Ukraine and with the corresponding introduction of temporary restrictions that continue to affect the economic environment in 2023. Taking into account the above, the Company has made an assessment of the going concern assumption on the basis of which the 2023 financial statements were prepared. The Company's operations have been significantly affected by the war, and there is currently significant uncertainty regarding the development of the military invasion of Ukraine by the russian federation, its duration and the consequent impact on the Company's operations, personnel, liquidity and safety of assets.

The main specific risk factors include:

- safety of the Company's personnel and lack of employees to ensure sustainable operations;
- property, plant and equipment security, which depends on the development of military events. Property losses include both physical destruction, property damage and write-offs due to loss of access or control;
- disruption of operations due to operational failures, including hacker attacks and russia's ongoing attacks on the country's energy and other critical infrastructure;
- other factors.

As a result of the hostilities, the Company temporarily lost control over approximately 12% of its post offices, mostly in the occupied areas of Luhansk, Donetsk, Kherson and Zaporizhzhia regions.

In accordance with Government Resolution No. 305 dated 17 March 2022, the Company fulfilled its additional obligations to transport property of domestic enterprises, institutions and organisations free of charge as part of their evacuation from the combat zone, as well as to deliver humanitarian food. In addition, in accordance with the Government Resolution No. 25 dated 10 January 2023 "On the Implementation of a Pilot Project to Create Favourable Conditions for Ensuring Efficient Electricity Consumption in Ukraine", the Company additionally fulfilled the government's task to exchange incandescent lamps for LED lamps free of charge to save electricity consumption and reduce the load on the energy system of Ukraine, which suffered as a result of the armed aggression of the russian federation against Ukraine.

In order to analyse the impact of the risk of revenue shortfall due to military actions and the Company's ability to continue as a going concern, management has prepared an updated financial forecast for the period up to 30 April 2025, which shows that the Company has sufficient net cash flows and is able to meet its obligations in the foreseeable future.

The forecast was made using the principle of reasonable care based on the data available as of the date of approval of the financial statements, taking into account the macro indicators of the adopted budget of Ukraine for 2024 and assumptions and measures taken or planned by management:

- 4.6% real GDP growth, 9.7% inflation rate, dollar exchange rate at the end of 2024 – UAH/USD 41.0, average annual dollar exchange rate – UAH/USD 40.7;
- measures taken to optimise the Company's processes and structure allowed us to reduce staff by 24.4% while increasing the average salary. For 2024, payroll costs are planned to take into account the statutory minimum wage of UAH 7,100 from 1 January and UAH 8,000 from 1 April. In 2024, the Company plans to continue optimising the number of employees and increasing their productivity through the implementation of a number of automation investment projects;
- The volume of letters processed by the Company in 2023 increased by 14% year-on-year with a planned increase of 15% in 2024. In 2024, the Company plans to continue to develop sales of art stamps and related merchandise of the most relevant stories through its network and online platforms;
- domestic parcel volumes in 2023 increased by 34% year-on-year. In 2024, the volumes are expected to grow by 35% year-on-year with the revision of the tariff;

- pension payments in 2023 decreased by 6% year-on-year. The plans for 2024 include a 5% reduction in the number of pensioners and recipients of social aid through the Ukrposhta network and an average 10% indexation;
- a 4% year-on-year decline in utility bills payments due to migration, the destruction of utility infrastructure and the introduction of payment holidays in some places. For 2024, the volume of payments is expected to increase by more than 5% compared to 2023 and the average payment check by 10%;
- the volume of international shipments (exports) for 2024 is planned at the same level as in 2023, with income indexed to the forecast exchange rate growth;
- in 2023, the Company timely fulfilled its financial obligations and does not plan to restructure its debt in 2024. The repayment of principal amounts is performed according to the schedule. The lenders have confirmed their intention not to demand early repayment of the obligations even in case of breach of financial covenants or other terms of the loan agreements;
- similar to 2023 in 2024 the Company will take measures to further obtain more loyal terms and conditions for payments to foreign postal operators;
- strategic investment projects, such as the automation of the logistics network, completion of the postal network automation and strengthening its resilience to energy and communication disruptions, renewal of the company's vehicle fleet and replacement of critical IT systems, will be financed mainly by loans from international financial institutions and accumulated liquidity reserves.

Management constantly monitors the dynamics of actual performance indicators, taking into account the current changes in circumstances, during 2023 the Company's operations and financial performance do not differ significantly from the forecasts. Management estimates that, taking into account the probability of possible scenarios, cash flows from operating activities for the 12 months to the end of Q2 2025 are positive. Despite the current circumstances, the Company continues to fulfil its debt obligations to creditors.

Due to the uncertainty of the future development of the military invasion based on the above-mentioned material assumptions underlying the forecasts, management has concluded that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern, and therefore, the Company may not be able to realise its assets and discharge its liabilities in the ordinary course of business.

However, based on the above steps taken by the Company, management has concluded that it is appropriate to prepare the financial statements on a going concern basis.

Legal issues. Court cases

Ukrposhta has two related lawsuits. These lawsuits were initiated by the Poltava Regional Prosecutor's Office (cases No. 917/2033/21 and No. 917/453/22). The cases were considered by the court of first instance and were resolved in favour of the plaintiff (the Prosecutor's Office). As of the current date, the cases are being considered on appeal by the Eastern Commercial Court of Appeal.

The subject of the dispute regarding the possibility of paying for the value of shares in a state joint stock company with real estate by transferring it to the authorised capital during the initial issue of shares is common to all state joint stock companies established through the corporatisation of state-owned enterprises. Taking into account the general nature of the problem and its impact on the state policy on the management of corporate rights owned by the state, this issue has been submitted for resolution to the legislative level, where it is expected that by the end of the year a relevant law will be adopted that should remove the problematic issues of using state property to pay for shares at all stages and in all time periods of the creation of state joint stock companies.

Foreign currency translation. The Company's functional currency is the Ukrainian hryvnia (UAH), the currency of the primary economic environment in which the Company operates.

Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the official exchange rate of the National Bank of Ukraine (the "NBU") at the end of each reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities are recognised in profit or loss.

The principal exchange rates used to translate foreign currency amounts and transactions were as follows

In UAH	**31 December 2023**	**31 December 2022**
UAH/USD exchange rate at the end of the year	37,98	36,57
Average annual exchange rate of UAH to USD	36,57	32,34
Exchange rate of UAH to SDR at the end of the year	51,16	48,71
Average annual exchange rate of UAH to SDR	48,80	43,19

Foreign currencies can be converted into UAH and UAH can be converted into foreign currencies at exchange rates influenced by the National Bank of Ukraine. The exact exchange rate at which the Company can exchange currency depends on negotiations with its commercial banks and the balance of supply and demand in the interbank foreign exchange market during the conversion period.

A Special Drawing Right (SDR) is a unit of account of the International Monetary Fund used as a monetary unit by the Universal Postal Union, of which the Company is a member.

Financial instruments - key measurement terms. The Company recognises financial assets and liabilities on its balance sheet when it becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are represented by cash and cash equivalents, net trade and other receivables, current investments, bonds issued, loans, lease liabilities, trade and other payables. Financial instruments are carried at fair value or amortised cost depending on their classification. These valuation methods are described below.

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

The fair value of financial instruments traded in an active market is measured as the product of the quoted market price for the individual asset or liability and the quantity held by the Company. This principle is followed even if the market's normal daily trading volume is not sufficient to absorb the quantity held by the Company and if an order to sell the entire position in a single transaction could affect the quoted price.

The amortised cost is the amount at which the financial instrument is recognised at initial recognition minus principal repayments plus accrued interest, and for financial assets minus any reduction for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method.

The Company uses a practical expedient whereby the amortised cost of financial assets with maturities of one year or less, less expected credit losses, is equal to their nominal value.

Accrued interest income and accrued interest expense, including accrued coupon income, are not presented separately and are included in the carrying amounts of related items in the statement of financial position as current or non-current liabilities depending on their respective maturities.

The effective interest rate method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount of an instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. Premiums or discounts are amortised over the expected life of the instrument. The present value calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial instruments - initial recognition. Financial assets and financial liabilities are initially recognised at fair value, except for trade receivables, which are initially recognised at nominal value in accordance with IFRS 15. Financial instruments at fair value through profit or loss are initially recognised at fair value. All other financial instruments are initially recognised at fair value, adjusted for transaction costs. The best evidence of fair value at initial recognition is the transaction price. A gain or loss on initial recognition is only recognised if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. Upon initial recognition, for financial assets measured at amortised cost and investments in debt instruments at fair value through other comprehensive income, an allowance for expected

credit losses is recognised, which results in the recognition of an accounting loss immediately after initial recognition of the asset.

All purchases and sales of financial assets that require delivery within the period generally established by regulation or convention in the marketplace ("regular way" purchases and sales) are recognised on the trade date, i.e. the date that the Company commits to deliver a financial asset. All other purchases of financial instruments are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets - classification and subsequent measurement - measurement categories. The Company classifies its financial assets into the following measurement categories: at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost. The classification and subsequent measurement of debt financial assets depends on (i) the Company's business model for managing the respective portfolio of assets and (ii) the asset's cash flow characteristics.

Financial assets - classification and subsequent measurement - business model. A business model is a way in which the Company manages assets to earn cash flows. The Company's objective is to collect contractual cash flows from assets solely ("holding to collect").

Impairment of financial assets - allowance for expected credit losses. The Company estimates expected credit losses and recognises net impairment losses for financial assets and assets under contracts with customers at each reporting date. The estimation of expected credit losses reflects: (i) an objective and probability-weighted amount determined by evaluating a range of possible outcomes, (ii) the time value of money and (iii) all reasonable and supportable information about past events, current conditions and expected future economic conditions that are available at the reporting date without undue cost or effort.

Financial instruments measured at amortised cost are carried in the statement of financial position net of any allowance for expected credit losses.

For trade receivables, the Company applies a simplified approach to calculating the allowance for expected credit losses. The Company does not monitor changes in credit risk, instead, the allowance is calculated for the entire term of the receivable and is reassessed at each reporting date. The Company uses a loss allowance matrix based on historical credit loss experience adjusted for the effect of future changes in the economic environment that will affect debtors.

The Company's other financial assets do not have significant credit risk.

The Company considers that a default (event of default) occurs when a financial asset is past due by more than 90 days, unless the Company has other reasonable information that a criterion with longer periods of default is more appropriate.

Financial assets - write-offs. Financial assets are written off in full or in part when the Company has exhausted all practical possibilities of recovery and has concluded that no future recovery is probable. A write-off is a derecognition event.

Financial assets - derecognition. The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated party without needing to impose additional restrictions on the sale.

Financial liabilities - derecognition. A financial liability is derecognised when the obligation is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Presentation of financial instruments by measurement categories. As of 31 December 2023, and 2022, all of the Company's financial assets and liabilities, except for other financial investments, were carried at amortised cost. Their carrying amounts approximate their fair values. Other financial investments were carried at fair value through profit or loss. The fair value of other financial investments was estimated using quoted prices in active markets (Level 1 of the fair value hierarchy).

Property, plant and equipment. Property, plant and equipment (PPE) are carried at cost, less accumulated depreciation and provision for impairment, where required.

Construction in progress represents the cost of property, plant and equipment under construction, less accumulated impairment. This includes the cost of construction works, process equipment and other direct costs. Expenses for day-to-day repairs and maintenance are recognised as an expense as incurred.

Costs of replacing major parts of property, plant and equipment are capitalised and the cost of the replaced part is retired.

At the end of each reporting period, management assesses whether there is any indication that property, plant and equipment may be impaired. If any such indication exists, management estimates the recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use. If any such indication exists, the carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year.

An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year.

Depreciation. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost, less their estimated residual values, over their estimated useful lives.

	Remaining useful lives in years
Buildings and structures	10-50
Production and other equipment	5-35
Vehicles	5-10
Office furniture and equipment	2-5

From 1 January 2023, the Company changed its accounting estimates and judgements for the recognition of low-value non-current tangible assets, resulting in adjusting entries in 2023 to reflect the changes in accounting.

Items of property, plant and equipment with an acquisition cost not exceeding UAH 20 thousand and meeting the following conditions of the lower cost criterion:

-with a value exceeding UAH 3,000 for tools (manual, with electric or other motors);

-without setting a lower cost criterion for furniture and fire extinguishers;

-with a value exceeding UAH 1,000 for other objects

The Company recognises low-value non-current tangible assets and depreciates them at 100% of their cost in the first month of use.

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

Intangible assets. Acquired intangible assets that have finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

The Company recognises as intangible assets those items that will be used for more than a year and whose cost is greater than or equal to UAH 1 thousand at the date of recognition. For internally generated assets and land use rights, the cost criterion for their recognition as intangible assets is not applied.

The Company carries intangible assets at cost. Subsequent expenditure on intangible assets, once acquired or generated, is recognised as an expense in the period in which it is incurred, unless it is probable that the expenditure will enable the asset to generate future economic benefits beyond those originally expected and the expenditure can be measured reliably.

An intangible asset with a definite useful life is amortised over the period specified in the contract, patent or licence. The amortisation period of an intangible asset with a definite useful life is reviewed at the end of each financial year. The average useful life of intangible assets is 4 years. Assets with indefinite useful lives are not amortised but are assessed annually for impairment and possible transfer to amortisable assets.

Depreciation is calculated on the basis of the cost of an asset using the straight-line method over its estimated useful life from the date that it is available for use. Depreciation expense is recognised in the Statement of Comprehensive Income.

Investment property. Investment property is property held by the Company to earn rental income or for capital appreciation or both. Refer to Note 4 for a description of significant judgements made in classifying non-current assets as investment property.

The Company's investment property is formed at the expense of existing properties as a result of their change of use and transfer from the category of property occupied by the Company to the category of investment property. If an item of property consists of a part held to earn rental income and a part held to provide postal and related services, the parts are accounted for separately if they are available for sale or lease back under a finance lease. Otherwise, an item of property is an investment property only if an insignificant part of the property is held for the Company's operating activities.

The cost of investment property is the actual expenditure of cash and cash equivalents or the fair value of other consideration at the time of acquisition.

Subsequent to initial recognition, the Company carries investment property at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation on investment property is calculated on a straight-line basis over its estimated useful lives.

The useful life of investment property is determined in the same way as for items in the property, plant and equipment group "buildings and structures".

Earned rental income is recognised in profit or loss within other operating income. Gains or losses on disposals of investment property are calculated as proceeds from disposal less carrying amount.

Subsequent expenditures are capitalised to the carrying amount of an asset only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the asset can be measured reliably. All other repair and maintenance costs are recognised when incurred.

Right-of-use assets. The Company changed its accounting estimates and judgements regarding the recognition of right-of-use assets and lease liabilities at the commencement date of the lease effective 1 January 2022, resulting in adjusting entries in 2022 to reflect the change in accounting.

The Company leases premises and vehicles. The arrangements may include both lease and non-lease components. The Company allocates the consideration of a contract between the lease and non-lease components on the basis of their relative stand-alone prices.

Assets arising from leases are initially measured at present value.

Right-of-use assets are measured at cost, which includes:

- the amount of the initial measurement of the lease liability;
- lease payments at or before the commencement date, less any lease incentive payments received;
- any initial direct costs; and
- Costs to restore the asset to the condition required by the lease.

Right-of-use assets are depreciated on a straight-line basis over the estimated useful life of the asset or the lease term, whichever is shorter. If the Company is reasonably certain to exercise the purchase option, the Company amortises the right-of-use asset over the estimated useful life of the underlying asset. The Company calculates depreciation of right-of-use assets on a straight-line basis over their estimated useful lives.

Non-current assets held for sale and disposal groups. The Company classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. To qualify, the asset (or disposal group) must be available for immediate sale in its present condition with terms that are usual and customary for sales of such assets (or disposal groups) and its sale is highly probable.

An asset classified as held for sale or included in a disposal group is not depreciated. The asset (or disposal group) must be sold within one year. Events or circumstances may extend the period to complete the sale of an asset held for sale beyond one year.

An extension of the period for completion of a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is due to events or circumstances beyond the Company's control and there is sufficient evidence that the Company does not intend to continue using the property.

The Company measures non-current assets held for sale at the lower of carrying amount and fair value less costs to sell.

Impairment of property, plant and equipment and capital investments in progress

As at the reporting date, the Company determined that there was some indication that the recoverable amount of property, plant and equipment and capital investments in progress may be less than their carrying amount. As of 31 December 2023, the Company assessed the value of its non-current assets in use for impairment at the level of a cash-generating unit (CGU), considering the entire Company as a whole as a CGU.

CGUs are considered to be the aggregate of property, plant and equipment, capital investments in progress and intangible assets related to the Company's operating activities as a whole. The exclusion of any CGU results in changes in operating activities and cash flows. It is impractical to separate smaller cash-generating units. The business processes are managed by one group of managers, and it is determined to allocate and distribute within the financial plan the cash flows related to the cost and expenses for certain types of services sold on a reasonable basis and with an adequate amount of assumptions.

As a basis for the calculation model for estimating the value of non-current assets in use, management prepared two scenarios of the Company's development for the period 2024 - 2026, namely, optimistic and pessimistic based on assumptions about the expected income and expenses under these development scenarios.

In accordance with the requirements of Appendix A, IAS 36 "Impairment of Assets", the Company applied the expected cash flow approach to measure the value of its non-current assets in use, which takes into account all expectations regarding possible future cash flow scenarios. As a result, the Company calculated the weighted average expected cash flows weighted by assumptions about the probability of the Company's future development based on scenarios prepared by management.

The value in use of non-current assets in accordance with IAS 36 was determined as the total discounted value of net operating cash flows on a pre-tax basis, excluding depreciation and amortisation expense, outflows on capital investments and flows from financing activities.

Based on the results of the assessment, the Company determined that the value in use of property, plant and equipment and capital assets under construction as at the date of the assessment exceeded their carrying amount as at the same date by UAH 1,299,480 thousand, i.e. there was no impairment.

The Company impaired property, plant and equipment and capital investments in progress located in the temporary occupied territories and in the territories where military operations are ongoing as at the reporting date and, accordingly, their carrying amount in the impairment test is zero.

The key assumptions used in the value in use calculation are those related to the discount rate, growth rate and expected changes in revenues and operating expenses. Management determined the discount rate using the weighted average cost of capital before tax. The growth rate is based mainly on the growth of parcel business, international business, financial services and retail trade volumes, etc. in accordance with the Company's development strategy for 2024-2026. Expected changes in revenues and operating expenses are based on historical experience and expectations of future changes in the market. Cash flow projections are based on the most recent financial budgets for the next 3 years. Beyond this period, the Company's management extrapolated cash flows based on the expected growth rate not exceeding the average long-term growth rate for the respective markets. The calculations were based on the legislation in force as of 31 December 2023.

Income tax. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period.

The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Where financial statements are authorised for issue

before the relevant tax returns are filed, taxable profits or losses are recorded based on estimates. Taxes other than on income are recorded as a component of operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax losses and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred tax is not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination and, when initially recorded, affecting neither accounting nor taxable profit. Deferred tax assets and liabilities are measured at tax rates that have been enacted or substantively enacted at the end of the reporting period and are expected to apply to the period when the temporary differences will reverse, or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Inventories. Inventories are carried at cost or net realisable value, whichever is lower. The cost of inventories includes direct materials, direct labour and an appropriate proportion of variable or fixed production overheads.

The Company uses the first-in, first-out method to value inventories on disposal, i.e., inventories of the same type are written off first.

The cost of purchased inventories is determined after deducting discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of bringing the inventories to their present condition and the estimated costs of selling.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. The Company calculates the allowance for receivables that meet the criteria for a financial asset within the meaning of IFRS 9 "Financial Instruments", differentiated into the following categories: "Current (not overdue)", "Overdue for no more than 30 calendar days", "Overdue from 31 to 60 days", "Overdue from 61 to 90 days", "Overdue for more than 90 days". Overdue means receivables that are past due. The amount of the provision is determined using the method of applying expected credit loss ratios.

Impairment of receivables is assessed based on an analysis of expected credit losses on a group basis.

The carrying amount of the asset is reduced through an allowance account and the amount of the loss is recognised in profit or loss within other operating expenses. When a trade receivable is uncollectible, it is written off against other operating expenses. Receivables are not written off against an allowance account. The amount of the provision at the financial statements date is calculated taking into account amounts previously written off. Subsequent recoveries of amounts previously written off are credited to profit or loss within other operating income.

Trade and other receivables that are renegotiated are measured at amortised cost based on the new structure of the renegotiated cash flows. The related gain or loss is recognised in profit or loss on the date of renegotiation and subsequently amortised using the effective interest rate method. If the terms of a receivable are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, the impairment loss is measured using the original effective interest rate before the modification of terms.

Cash and cash equivalents. Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash that is restricted for use is excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost using the effective interest rate method.

The Company estimates expected credit losses on cash and cash equivalents balances with banks based on a low probability of default within the contractual terms of less than 3 months. The probability of default was determined based on the external credit rating of the respective banks and publicly available default data from rating agencies. No allowance for expected credit losses was recognised in these financial statements as management assessed the effect to be immaterial.

Advances and prepayments. Advances and prepayments are carried at cost less provision for impairment. Advances and prepayments are classified as non-current if the goods or services for which the advance is made will be obtained after one year, or if the advance relates to an asset that will be classified as non-current upon initial recognition.

Advances and prepayments made to acquire an asset are added to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments and advances are recognised in profit or loss when the goods or services for which they are made are obtained. If there is an indication that the assets, goods or services for which the prepayments are made will not be received, the carrying amount of prepayments made is reduced accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Prepayments are presented in these financial statements net of VAT as they are expected to be settled by delivery of goods or services.

Value added tax. Sales of goods and services in Ukraine are generally subject to value added tax (VAT) at a rate of 20%. Certain of the Company's transactions are exempt from VAT or are not subject to VAT (such as sales of postage stamps, pension deliveries, payment acceptance and money transfers).

The VAT liability arises on the date of delivery of goods/services or receipt of payments, whichever occurs first. Input VAT is recognised upon registration of a VAT invoice in accordance with the established procedure in the Unified Register of Tax Invoices. Input VAT paid by the Company on the purchase of goods or services that can be directly attributed to activities subject to VAT is fully refundable from the state budget, while input VAT directly related to activities that are exempt from VAT or not subject to VAT is not refundable from the state budget and is therefore treated as an expense. Input VAT paid on purchases of goods and services used in both types of transactions (i.e., VATable and VAT-exempt or VAT-non-exempt) is recognised on a pro rata basis (i.e., only the portion of VAT related to VATable transactions is recovered).

The positive amount of the difference between VAT liabilities and VAT input is transferred to the state budget. VAT related to sales and purchases is recognised on a net basis in the balance sheet and is presented as an asset or liability in the amount reported in VAT returns. Otherwise, VAT is recognised on a gross basis.

Share capital. Prior to 1 March 2017, the Company was registered as a state-owned enterprise. The Company had registered capital but no shares in issue. On 1 March 2017, the Company was incorporated as a JSC, and its shares were registered by the regulator. From that date, ordinary shares are classified as equity.

When the Company was a state-owned enterprise, the registered capital included adjustments in accordance with IAS 29 to account for the effects of inflation when Ukraine was a hyperinflationary economy.

As at the date of creation of JSC "Ukrposhta", the effect of corporatisation was recorded separately. This equity item was calculated as the difference between the registered capital of JSC "Ukrposhta" and the previous carrying amount of the capital of the state-owned enterprise.

Dividends. Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are declared after the balance sheet date but before the financial statements are authorised for issue.

In accordance with Ukrainian legislation, dividends are limited to the amount of net profit for the reporting year or any other distributable reserves not exceeding the amount of retained earnings as recognised in the financial statements prepared in accordance with IFRS. The company must decide on the payment of dividends by 30 April and pay dividends to the state budget by 30 June of the year following the reporting year. The Cabinet of Ministers of Ukraine approves the percentage of net profit to be distributed each year by a separate resolution. If such a resolution is not adopted by 30 June, the Company is obliged to transfer 30% of its net profit to the state budget of Ukraine as provided for by the Law of Ukraine "On Management of State-Owned Property" No. 185-V dated 21 September 2006.

Classification of financial liabilities. The Company classifies its financial liabilities as other financial liabilities. The Company's financial liabilities are carried at amortised cost.

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method. Borrowings are recorded as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade payables and other payables. Trade payables and other payables are recognised when the counterparty has performed in accordance with the terms of the contract. A payable is classified as a current

liability if it is due to be paid within one year (or within the normal operating cycle of the business if longer). Otherwise, they are accounted for as non-current liabilities. Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. The amortised cost is calculated by taking into account transaction costs and all premiums and discounts on settlement.

Advances received. Advances received relate to amounts received in advance of goods, works or services in the ordinary course of business. They are carried at the amount initially received, net of VAT, as it is expected that the amounts will be settled by delivery of the underlying goods or services.

Revenue. Revenue is income arising in the ordinary course of the Company's business. Revenue is recognised at the amount of the transaction price. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring control of promised goods or services to a customer, excluding amounts received on behalf of third parties.

Revenue is recognised net of discounts, rebates and value added taxes. Typically, the Company's contracts do not contain variable consideration, or the effect of variable consideration is not material. Revenue primarily comprises revenue from the provision of the following services (sales of goods):

1) sending parcels and letters (including international ones);
2) payment and delivery of pensions and other social benefits;
3) making payments and money transfers;
4) subscription and delivery of periodicals;
5) retail trade and other services.

Revenues from transactions with customers are earned in accordance with the contracts concluded with them and are recognised upon completion of delivery of the parcels, as management believes that the moment when control over the goods or services of the Company is transferred occurs when the Company has fully performed its obligations to the customer. Revenues from contractual services that have not yet been rendered as at the balance sheet date are classified as deferred revenue. Revenue is deferred until the corresponding services are provided to the customer. The Company derecognises a contractual obligation and recognises revenue when it transfers the services and therefore satisfies a performance obligation. The Company provides services under fixed fee contracts. It is the Company's normal practice to receive prepayments or to receive payments within one month of performance. The moment of transfer of goods and services under contracts for which deferred revenue was recognised is determined by the customer. There are no significant financing components in the Company's contracts.

Revenues from sales of goods and services through the Group's own online service, including other marketplaces such as Prom, Rozetka, Kasta and international internet platforms such as EBay and Amazon (USA), are recognised upon receipt of 100% prepayment. The performance obligations under such contracts are for transportation services and transfer of purchased goods. In the obligation to transfer goods, the Company may act as an agent.

Revenue from shipments under the Universal Postal Convention is recognised upon completion of delivery of the relevant items. The Company undertakes to transfer mail and goods transportation services from customers. The Company's customers under contracts that provide for the transfer of mail from Ukraine outside the country are individuals and legal entities in Ukraine. The Company's customers under contracts providing for the import of goods from abroad are foreign postal services and delivery services.

In the case of sales of goods under agency arrangements, commission income is recognised as a receivable at the time of sale and the related gross cash proceeds are recognised as a liability to the supplier. The Company acts as an agent in such transactions.

Revenues related to the provision of stamping and franking services to the public, retailers and commercial organisations are recognised at the time of sale at the nominal value of the postage stamp with postmark, adjusted to reflect the cost of the service paid for but not used by the customer. For more information on this adjustment to "deferred revenue", refer to the section "Critical accounting estimates and judgements in applying accounting policies" below.

In contracts for the payment and delivery of pensions and other social benefits, as well as payments and money transfers, the Company acts as an agent to transfer funds between the customer and the recipient. Revenue for such services is recognised when the funds are delivered to the ultimate recipient. The Company may receive either a fixed fee for payment processing services or a percentage of the pension and other

social benefits delivered, and payments made. The Company recognises a corresponding asset and liability within Other assets and Other liabilities in respect of customer funds received that have not been delivered as at the date of these financial statements.

Own and commissioned goods are traded in the Company's branches. Control over the goods is transferred immediately in exchange for a fixed amount of remuneration. The Company does not use loyalty programs or other elements of variable compensation for retail sales.

If the Company acts as principal in a transaction, revenue is recognised at gross amount. If the Company acts as an agent in a transaction, revenue is recognised at the net amount and represents the margin earned.

Recognition of expenses. Expenses are recognised on an accrual basis. The cost of goods sold and services rendered includes labour costs, depreciation, direct material costs, transportation and directly attributable overheads.

The Company receives discounts from postal operators in other countries for the delivery of letter mail, parcels and EMS services in the form of cancelled invoices, the amount of such discounts depends on the volume of delivery services provided. Cancellation invoices received from postal operators are recognised as a component of cost of services, thereby reducing amounts due to postal operators, and cancelled invoices receivable in cash are classified as other receivables.

Financial income and expenses. Finance income and expenses comprise interest income on funds invested and interest expense on borrowed funds. All interest and other costs on borrowed funds are recognised as expenses using the effective interest rate method. Interest income is recognised as it accrues, taking into account the effective yield on the asset.

Lease liabilities. Liabilities arising from leases are initially measured at present value. Lease liabilities include the net present value of future lease payments:

- fixed payments (including essentially fixed payments) less any lease incentive payments receivable,
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date,
- amounts expected to be paid by the Company under residual value guarantees,
- the exercise price of a purchase option, provided that the Company is reasonably certain to exercise the option, and
- payment of penalties for lease termination if the lease term reflects the exercise of the Company's option to terminate the lease.

Lease extension and termination options are provided for in a number of the Company's lease agreements. These terms are used to provide maximum operational flexibility in managing the assets used by the Company in its operations. Renewal options (or a period of time after the termination date specified in the terms of termination options) are included in the lease term only if it is reasonably certain that the lease will be renewed (or not terminated).

The measurement of the liability also includes lease payments to be made under renewal options if it is reasonably certain that the lease will be renewed.

Lease payments are discounted using the interest rate implicit in the lease. If this rate is not readily determinable, which is generally the case for the Company's leases, the Company uses the incremental borrowing rate, which is the rate at which the Company could obtain for a similar term and on similar collateral the borrowing required to obtain an asset of similar value to the right-of-use asset in similar economic circumstances.

The Company is exposed to the risk of potential future increases in variable lease payments dependent on an index or rate that are not recognised in the lease liability until they become effective. After adjustments to lease payments that depend on the index or rate are made, the lease liability is remeasured, and the value of the right-of-use asset is adjusted.

Lease payments are apportioned between the principal amount of the liability and finance costs. Finance costs are recognised in profit or loss over the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period.

Employee benefits. Wages, salaries, paid annual leave and bonuses are accrued in the year in which the associated services are rendered by the employees of the Company. The Company makes a single social security contribution for the benefit of its employees. The contribution is calculated as a percentage of current gross salaries and is expensed in the period in which it is incurred.

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

In particular, receivables and payables from postal operators in other countries are presented in the statement of financial position on a net basis for transactions that are settled on a net basis.

Contingent assets and liabilities. A contingent asset is not recognised in the financial statements. It is disclosed when an inflow of economic benefits is probable. Contingent liabilities are not recognised in the financial statements unless it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. Contingent liabilities are disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Government grants and other government assistance. A government grant is recognised when there is reasonable assurance that the Company will comply with the conditions attached to it and that it will receive the grant. The receipt of a grant does not in itself provide conclusive evidence that the conditions attached to it have been or will be met.

Grants are accounted for using the same method, regardless of whether they are received in the form of cash or as a reduction of liabilities to the government.

The Company recognises government grants classified as assets in profit or loss on a systematic basis over the periods in which the Company recognises the related expenses for which the grants were intended, namely

- Grants relating to depreciable assets are recognised as deferred income over the periods and in the proportions that the assets are depreciated;
- Grants related to non-amortising assets may also require performance conditions and will be recognised as revenue over the periods in which the performance conditions are met.

The Company recognises a receivable and simultaneously recognises income from a government grant in the period the related expenses are incurred if the government grant is to be received as compensation for costs or losses already incurred.

If a government grant is to be received in the form of immediate financial support to the Company without future related expenditures, the Company recognises income in the period in which it is received or when it is reasonably certain that it will be received within a short period of time.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of financial statements requires management to make estimates and assumptions that can have a material effect on the financial statements. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas involving a higher degree of judgement, or areas of particular complexity, and areas where assumptions and estimates are critical to the preparation of the financial statements are described below.

Deferred revenue. The Company recognises prepayments from customers on its balance sheet primarily in respect of sales of postage stamps not used as at the balance sheet date, delivery of parcels and small packages not delivered to their destination as at the balance sheet date and subscriptions to periodicals to be delivered after the year end.

A significant portion of this balance consists of revenues from the sale of postage stamps to the public. Estimates of deferred revenue are based on various methods of estimation and sampling, with external expert evidence used where appropriate. Estimates of sales of stamps held by the public are based on the results of an annual survey conducted by an independent third-party organisation, which asks citizens how many stamps they buy each year and how many stamps they hold as at the balance sheet date.

The value of stamps held by retailers and commercial organisations is more accurately estimated based on the analysis of actual sales and responses provided by customers in independent surveys.

The results of the above procedures are reviewed by management to make judgements about the carrying number of accruals. The total amount of accruals is recorded as a current liability as the vast majority of the amounts credited for postage stamps and mail sorting and dispatch services are used within one year after the balance sheet date.

Part of the balance of deferred revenue consists of revenue from the delivery of parcels and small packages that have not been delivered to their destination as at the balance sheet date. The estimation of deferred revenue is based on analytical calculations based on the Company's available actual data on the type, quantity, weight, destination, date of departure, tariff applied and actual or expected delivery time.

Extension and termination options under lease agreements. Extension and termination options are provided for in a number of the Company's building leases. These options are used to provide maximum operational flexibility in managing the assets used by the Company in its operations. The Company has a pre-emptive right to extend a number of lease agreements.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise the option to extend the lease or to waive the option to terminate it. Extension options (or a period of time after the termination date specified in the terms of termination options) are included in the lease term only if it is reasonably certain that the lease will be extended (or not terminated).

The Company's leases of buildings are divided into leases of privately owned properties and leases of state/communal property, which differ in the judgements used to determine the lease term. Taking into account the possibility of entering into renewal agreements or a high probability of entering into new lease agreements for the same privately owned properties, the Company applies a term of 8 years to lease agreements for privately owned properties as at the date of adoption of IFRS 16.

Leased state and municipally owned real estate is subject to the Law of Ukraine "On Lease of State and Municipal Property", effective from October 2019. According to the Law, initial leases and lease extensions are subject to a mandatory auction.

In view of this fact, as well as the lack of certainty regarding the renewal of these leases, the Company defines the lease term as a non-cancellable lease period specified in the contract. Vehicle lease agreements are concluded for fixed periods of 1.5 to 3 years, which can be extended by agreement of the parties.

The Company has made an estimate of the number and value of leased assets and lease expenses and applies the following judgements to the recognition of right-of-use assets and lease liabilities at the commencement date. For operating leases, a right-of-use asset and a lease liability are recognised if the following conditions are simultaneously met at the commencement date:

- the lease term exceeds 12 months,
- the amount of lease payments per month exceeds UAH 10,000 (ten thousand).

The Company applies the lessee practical expedient in IFRS 16 for short-term leases with a lease term of 12 months or less. That is, for operating leases with a term of up to 12 months, regardless of the amount of lease payments per month, no right-of-use asset is recognised and lease payments are recognised as part of cost of sales (goods, works, services) in the period when the related services are actually provided.

Lease agreements are reviewed monthly to determine whether they meet the contractual measurement criteria of IFRS 16, and right-of-use assets and lease liabilities are recognised.

Classification of dual-use properties as property, plant and equipment, investment property and non-current assets held for sale. The Company maintains separate accounting records for properties that can be classified as property, plant and equipment or investment property. In the case of dual-use properties (parts held for own use and parts held to earn rental income), classification of a part of such property as investment property is possible only if such part can be sold or leased under a finance lease agreement separately from the other part of the property. If this is not possible, the Company classifies the entire item as investment property only if the portion of the item used for own needs is less than 20 per cent of the total area of the item.

The Company has assessed the quantitative and cost characteristics of its investment properties and rental income and applies the following judgements in classifying and reclassifying properties as investment properties:

- Items that are leased out by 70% or more (by usable area) are considered to be fully investment property (provided that the key criteria described in the previous paragraph are met);
- Items leased out for less than 70% of the total useful area, but with aggregate rental income from the leased property in excess of UAH 50 thousand per month, are classified as investment property (provided that the main criteria described in the previous paragraph are met) in respect of the total useful area leased out and as property, plant and equipment in respect of the total useful area used for own needs;
- The Company considers leased assets with less than 70% of the total useful area and aggregate rental income of less than UAH 50 thousand per month to be insignificant and retains them as property, plant and equipment.

The Company's management transfers properties from property, plant and equipment to investment property using the cost model as its accounting policy (refer to Note 3). Management estimated the expected range of fair value of investment property as of 31 December 2023 without the involvement of independent appraisers and disclosed the information in Note 9.

Estimates of income and expenses from international postal exchange. In the course of providing international postal services, the Company conducts transactions with postal operators in other countries. Revenues and expenses from international postal services and related amounts receivable and payable are recognised during the year based on estimates made by management based on the total weight of interstate mail, parcels and small packages, which is subsequently agreed by postal operators, and tariffs approved by the Universal Postal Convention (UPU) and its circulars. If the volume of mail between countries exceeds the established volume (50 tonnes in 2023 and 2022), separate tariffs are applied to different formats of mail, as well as an additional tariff for the number of items. The number of postal units, which is calculated on the basis of the number of units per kilogram of correspondence, parcels and small packages, is also subject to agreement with postal operators in other countries.

Taking into account significant time delays in reconciliation of data on weight of mail items, total interstate volume of mail items, number of mail items per kilogram of correspondence, parcels and small packages and applicable MIC tariffs (up to 6 months for reconciliation of volume of mail items and up to one year for reconciliation of monetary value of mail items), such estimates are subject to management judgement and are subject to adjustment. Management has disclosed the amount of income and expense on transactions with major postal operators in other countries for which the reconciliation process was completed or partially completed as at the date of issue of these financial statements in Notes 20 and 21.

Discounts granted by international postal operators for the delivery of written correspondence, parcels and small packages, international express delivery "EMS" shipments in connection with the Company's support during the military aggression of the Russian Federation are recognised in cost of services sold in the period of receipt of the cancelled invoice for payment for services. Given the significant delays in the timing of information from postal operators in other countries, management attempts to estimate the amounts of these invoices as accurately as possible at the date of approval of the financial statements and to present the most reconciled transactions for services received from postal operators. However, such estimates are subject to management judgement and are subject to change.

5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

The following amended IFRS standards and amendments to IFRS standards and interpretations issued by the IASB are effective for periods beginning on or after 1 January 2023. However, their adoption did not have a material impact on the disclosures or amounts recognised in these financial statements. The Company has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective:

- Amendments to IAS 16 Property, Plant and Equipment: Proceeds from the sale of property, plant and equipment
- Amendments to IAS 37 Onerous Contracts - Contract Performance Costs
- Annual improvements to IFRS, 2018-2020
- Amendments to IFRS 3 References to Conceptual Frameworks
- Amendments to IAS 8 "Determination of Accounting Errors"

- Amendments to IAS 12 "Income Taxes" - Deferred tax relating to assets and liabilities arising from a single transaction
- Amendments to IAS 12 Income Taxes - Temporary relief from deferred tax accounting in connection with the OECD international tax reform

6. NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. Up to the date of authorisation of these financial statements, the Company has not adopted any of the following new or revised standards that are in issue but not yet effective.

	Effective date
Amendments to IAS 1 - Classification of Liabilities as Current or Non-current	Apply retrospectively for periods beginning on or after 1 January 2024
Amendments to IFRS 16 - Lease Obligations and Sale and Leaseback Obligations	1 January 2024.
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed indefinitely
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures - Supplier Finance Arrangements	1 January 2025.
Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" - Accounting for Non-convertible Instruments	1 January 2025.

Management does not expect the adoption of the Standards listed above to have a material impact on the Company's financial statements in future periods.

7. SETTLEMENTS AND TRANSACTIONS WITH RELATED PARTIES

The Company is an entity 100% owned by the State of Ukraine and is managed by the Ministry for Communities, Territories and Infrastructure Development of Ukraine. As the Company is ultimately controlled by the Government of Ukraine, all government-controlled entities are considered to be related parties under common control. Related parties also include governmental authorities, including the Cabinet of Ministers of Ukraine, line ministries, the judiciary, state-owned or state-controlled entities, and entities that are jointly controlled by, or significantly influenced by, the government.

Transactions with related parties are carried out on general terms and conditions that do not differ from those available to non-related parties and include sending letters, parcels and postcards, delivery of pensions and other social benefits to citizens from the state and local budgets, subscription and delivery of periodicals, parcel delivery, acceptance of payments from third parties and certain types of money transfers. During both periods, the Company was engaged by the Pension Fund of Ukraine to deliver pensions to individuals. Please refer to Note 20 for a summary of revenue generated from this activity.

As of 31 December 2023, and 31 December 2022, the majority of the Company's cash balances were placed in three state-owned banks of Ukraine (Note 12).

Compensation to key management personnel, consisting of 8 persons, for 12 months of 2023 amounted to UAH 26,700 thousand (12 months of 2022: UAH 26,039 thousand). Compensation consists of short-term salaries and bonuses, reimbursement of expenses directly related to the performance of their duties. Key management personnel do not receive any post-employment benefits.

8. INFORMATION BY SEGMENT

For decision-making purposes, the Company's CEO and his management team analyse internal revenue reports for each of the following four business lines:

- national postal services (including private individuals and legal entities)
- Financial services (including pension delivery, money transfers and third-party payments)

- Retail trade (including sales of goods under commission agreements and own goods)
- other commercial services.

These business lines provide different services and use different technologies and market strategies and are therefore managed separately.

The Company's expenses are not allocated to these business lines and therefore their performance is not assessed separately. The CEO assesses the performance of the Company as a whole. On this basis, management concluded that the Company operates in one segment - provision of postal and other related services.

Sources and geographical distribution of revenue are disclosed in Note 20. All of the Company's non-current assets are located in Ukraine.

Main clients

In 2023 and 2022, the only customer with revenue exceeding 24% of the Company's total revenue was the Pension Fund of Ukraine. The Pension Fund is represented by more than 25 regional offices in each region and the city of Kyiv, with which the Company has concluded contracts for the provision of services for the delivery and payment of pensions to the population of Ukraine. The amount of income received as remuneration for the delivery of pensions and other social benefits amounted to UAH 2,801,123 thousand in 2023 (in 2022 - 2,694,149 thousand).

9. PROPERTY, PLANT AND EQUIPMENT, CONSTRUCTION IN PROGRESS, INVESTMENT PROPERTY AND INTANGIBLE ASSETS

The following changes occurred in the carrying amounts of property, plant and equipment and construction in progress:

	Buildings and structures	Plant and equipment	Vehicles	Office furniture and equipment	Total property, plant and equipment	Capital investments in progress
As of 1 January 2022.						
Historical cost	3 349 571	683 335	1 536 433	591 565	6 160 904	320 864
Accumulated depreciation and impairment	(794 034)	(586 676)	(383 260)	(565 977)	(2 329 947)	-
Carrying amount as of 1 January 2022	**2 555 537**	**96 659**	**1 153 173**	**25 588**	**3 830 957**	**320 864**
Additions	219 578	-	-	-	219 578	680 625
Transfers (at cost)	4 140	27 353	501 789	170 440	703 722	(703 722)
Remeasurement of the right-of-use assets	(23 103)	-	-	-	(23 103)	-
Recognized according to the results of the stock-taking	-	-	-	39	39	-
Disposals (at cost)	(164 328)	(21 549)	(20 963)	(13 986)	(220 826)	-
Disposals (at accumulated depreciation)	74 691	20 957	20 467	13 986	130 101	-
Transfer to non-current assets held for sale	(18 507)	(18)	-	-	(18 525)	-
Transfer from investment property to property, plant and equipment (at cost)	25 552	-	-	-	25 552	-
Transfer from investment property to property, plant and equipment (at accumulated depreciation)	(1 837)	-	-	-	(1 837)	-
Depreciation and amortisation and impairment losses	(296 414)	(43 921)	(257 496)	(176 926)	(774 757)	(2 313)
As of 31 December 2022,						
Historical cost	3 392 903	689 121	2 017 259	748 058	6 847 341	295 454
Accumulated depreciation and impairment	(1 017 594)	(609 640)	(620 289)	(728 917)	(2 976 440)	-
Carrying amount as of 31 December 2022 / 1 January 2023	2 375 309	79 481	1 396 970	19 141	3 870 901	295 454
Additions	-	-	-	-	-	802 972
Transfers (at cost)	260 136	121 057	155 356	237 260	773 809	(773 809)
Remeasurement of the right-of-use assets	172 465	-	-	-	172 465	-
Disposals (at cost)	(124 695)	(50 046)	(7 761)	(90 186)	(272 688)	-
Disposals (at accumulated depreciation)	55 718	55 442	9 365	87 202	207 727	-
Transfer to investment property from property, plant and equipment (at cost)	(33)				(33)	
Transfer to investment property from property, plant and equipment (at accumulated depreciation)	1				1	
Transfer from investment property to property, plant and equipment (at cost)	1 052	-	-	-	1 052	-
Transfer from investment property to property, plant and equipment (at accumulated depreciation)	(324)	-	-	-	(324)	-
Depreciation and amortisation expense	(215 121)	(30 451)	(222 332)	(240 920)	(708 824)	-
Impairment losses	(2 022)	(1)	(956)		(2979)	(170)
As of 31 December 2023.						
Historical cost	3 701 829	760 132	2 164 854	895 132	7 521 947	324 617
Accumulated depreciation and impairment	(1 179 343)	(584 650)	(834 212)	(882 635)	(3 480 840)	(170)
Carrying amount as of 31 December 2023	2 522 486	175 482	1 330 642	12 497	4 041 107	324 447

Capital investments in progress mainly represent construction and refurbishment of buildings and structures and acquisition of property, plant and equipment that are not yet in operation. Upon completion, the assets are transferred to the appropriate category of property, plant and equipment.

As of 31 December 2023, the Company had contractual commitments to purchase property, plant and equipment in the amount of UAH 609,979 thousand (31 December 2022: UAH 421,801 thousand).

As of 31 December 2023, the Company had fully depreciated property, plant and equipment in the amount of UAH 2,185,743 thousand, but not decommissioned (31 December 2022: UAH 1,304,854 thousand).

Until 1 March 2017, the ownership of all property, plant and equipment and construction in progress under the Company's management, which it uses in its business activities, was registered with the Government of Ukraine. In accordance with Article 73 of the Commercial Code of Ukraine, the property of a state-owned enterprise is owned by the Government and is provided to such enterprise on the basis of economic or operational management. Thus, the property remained legally owned by the Government. However, in essence, the relationship between the Company and the Government provides for the right to use the relevant assets for an unlimited period of time (until they are fully depreciated, worn out or destroyed - the Government retains no risk elements associated with the residual value of the assets at the end of their useful lives) and to receive economic benefits from the use of the assets. Therefore, the Company recognised these items of property, plant and equipment and construction in progress in its financial statements.

In March 2017, the Government of Ukraine completed the reorganisation of the Company from a state-owned enterprise into a joint stock company (Note 14). In July 2018, the Ministry for Communities, Territories and Infrastructure Development of Ukraine and the Company signed an act on the transfer of property to JSC "Ukrposhta", the successor of the state-owned enterprise.

The total amount of accrued depreciation and impairment for the years ended 31 December is as follows

	2023	2022
Cost of sales of goods, works and services	680 020	559 685
Administrative expenses	30 091	18 938
Selling expenses	1 767	521
Other operating expenses	3 494	3 842
Other expenses (Note 29)	6 140	216 909
Total depreciation and impairment losses	**721 512**	**799 895**

During 2023, the Company acquired property, plant and equipment (vehicles) under finance lease agreements for a total cost of UAH 108,882 thousand (2022: UAH 72,148 thousand). As of 31 December 2023, the net carrying amount of property, plant and equipment held under finance leases under existing contracts was UAH 388,228 thousand (31 December 2022: UAH 345,274 thousand).

The Company performed a general impairment test of non-current assets as of 31 December 2023. The test results showed that the value of non-current assets in use exceeds their carrying amount. Accordingly, there is no impairment of non-current assets.

Intangible assets

As at the reporting dates, intangible assets are mainly represented by software, which is amortised over its useful life.

As of 31 December 2023, the Company has contractual commitments to purchase intangible assets in the total amount of UAH 218,638 thousand.

Asset with the right to use

In the normal course of business, the Company leases equipment and buildings.

Vehicle lease agreements are concluded for fixed periods of up to 3 years, which may be extended by agreement of the parties.

Information on the carrying amount and movements in the right-of-use asset for 2023 is presented below:

	Buildings and structures	Vehicles	Total
1 January 2023.	**294 669**	**345 274**	**639 943**
Additions	256 433	108 882	365 315
Adjustments to right-of-use assets on remeasurement of lease liabilities	172 465	-	172 465
Depreciation and amortisation expense	(156 658)	(52 652)	(209 310)
Disposals	(60 789)	-	(60 789)
Transfers	-	(13 276)	(13 276)
31 December 2023.	**506 120**	**388 228**	**894 348**

The carrying amount and movements in the right-of-use asset for 2022 are as follows:

	Buildings and structures	Vehicles	Total
1 January 2022.	**271 324**	**354 533**	**625 857**
Additions	219 578	72 148	291 726
Adjustments to right-of-use assets on remeasurement of lease liabilities	(23 103)	-	(23 103)
Depreciation and amortisation expense	(101 157)	(31 352)	(132 509)
Disposals	(71 973)	-	(71 973)
Transfers	-	(50 055)	(50 055)
31 December 2022.	**294 669**	**345 274**	**639 943**

Lease liabilities related to the above right-of-use assets are disclosed in Note 15.

Investment property

	2023	2022
Investment property as of 1 January	**68 961**	**100 693**
Transferred to property, plant and equipment (at cost)	(1 052)	(25 552)
Transferred to property, plant and equipment (at accumulated depreciation)	324	1 837
Additions to investment property	81	-
Transfer to investment property (at cost)	33	
Transfer to investment property (at accumulated depreciation)	-1	
Transferred to non-current assets available for sale (at cost)	-	(210)
Transferred to non-current assets held for sale (at accumulated depreciation)	-	-
Disposals (at cost)	-	(2 520)
Disposals (at accumulated depreciation)	-	118
Depreciation and impairment losses	(2 824)	(5 405)
As of 31 December		
Historical cost	78 166	79 104
Accumulated depreciation and impairment	(12 644)	(10 143)
Carrying amount	**65 522**	**68 961**

Management estimated the expected range of fair value of investment property as of 31 December 2023 at UAH 332,000 thousand to UAH 406,000 thousand (31 December 2022: from UAH 275,000 thousand to UAH 335,000 thousand) without engaging independent appraisers.

If the Company is a lessor, the future minimum payments receivable under operating leases and for all properties as of 31 December 2023 are as follows

	Future lease cash flows
On demand and less than a month	7 534
From 1 to 3 months	14 910
From 3 to 12 months	56 950
From 12 months to 5 years	66 499
Total undiscounted future lease cash flows from operating leases	**145 893**

As of 31 December 2022, future minimum payments receivable under operating leases were as follows:

	Future lease cash flows
On demand and less than a month	7 122
From 1 to 3 months	13 942
From 3 to 12 months	51 748
From 12 months to 5 years	57 852
Total undiscounted future lease cash flows from operating leases	**130 664**

In 2023, operating lease income amounted to UAH 111,718 thousand (2022: UAH 97,865 thousand) and was recognised in other operating income.

Non-current assets held for sale

As disclosed in Note 4, starting from 20 October 2019, due to changes in the Legislation of Ukraine, the Company obtained the right to dispose of property through open auction systems. Based on the decision of the shareholder represented by the Ministry for Communities, Territories and Infrastructure Development of Ukraine, the Company transferred the real estate from property, plant and equipment to non-current assets held for sale.

Movements in non-current assets held for sale were as follows

	2023 p.	2022 p.
Non-current assets held for sale as of 01 January 2023	**73 819**	**75 643**
Transferred from property, plant and equipment	-	18 525
Transferred from investment property	-	210
Sold	(13 280)	(8 633)
Impairment	-	(11 926)
Non-current assets held for sale as of 31 December 2023	**60 539**	**73 819**

Net gain on sale of non-current assets held for sale in 2023 amounted to UAH 30,634 thousand (2022: UAH 67,117 thousand) and is included in other income.

Assets pledged as collateral

The Company has signed loan agreements with international financial institutions (Note 15) under which the Ministry of Finance of Ukraine acts as a guarantor for the repayment of debt. Real estate with a carrying amount of UAH 827,784 thousand as of 31 December 2023 (31 December 2022: UAH 676,900 thousand) was pledged as collateral under the guarantee.

10. INVENTORIES

	31 December 2023	31 December 2022
Raw materials	331 631	348 417
Goods for resale	123 757	216 207
Total inventories	**455 388**	**564 624**

Raw materials are mainly represented by motor fuel, spare parts for vehicles and various materials used in postal activities.

The number of inventories recognised as an expense during the period 2023 is UAH 1,122,506 thousand (note 21, 22, 23, 24) (during the period 2022 - UAH 942,235 thousand).

Inventories are carried at cost or net realisable value, whichever is lower. The carrying number of inventories is reduced to their net realisable value through the provision of a provision for impairment of inventories. As of 31 December 2023, provision for impairment of inventories amounted to UAH 40,567 thousand (31 December 2022: UAH 29,641 thousand).

11. ACCOUNTS RECEIVABLE FOR GOODS, WORKS, SERVICES, ADVANCES PAID AND OTHER CURRENT RECEIVABLES

	31 December 2023	31 December 2022
Receivables for goods, works and services	**621 125**	**399 892**
including receivables from postal operators in other countries	*372 656*	*189 669*
Other current receivables	**167 725**	**146 066**
including settlements with payment systems	*57 195*	-
including settlements for compensation of losses incurred as a result of shortages	*41 170*	-
including settlements with the Pension Fund, other state funds	*34 917*	-
including receivables from postal operators in other countries	*9 207*	*5 305*
Total financial receivables (gross carrying amount)	**788 850**	**545 958**
Advances issued	150 544	74 177
Other receivables	16 283	29 151
including settlements on accrued income	*7 802*	*19 958*
Allowance for impairment losses	(102 456)	(106 781)
Total accounts receivable, advances paid and other receivables	**853 221**	**542 505**

Financial receivables, net of estimated allowance for impairment as of 31 December, are denominated in the following currencies:

	2023	2022
- Hryvnias	310 599	245 047
- US dollars	182 281	108 486
- SPZ	109 457	81 496
- Euro	84 057	4 148
Total financial receivables	**686 394**	**439 177**

In accordance with the requirements of IFRS 7.13a and IAS 32.42, 43, 45, 46, the Company offset debts and liabilities arising from international postal exchange transactions at each reporting date:

- has a legal right - international postal exchange operations are carried out in accordance with the Universal Postal Union Convention;
- intends to settle the liability on a net basis - the normal business practice of Ukrposhta and UPU member postal operators regarding the expected future cash flows from the settlement of financial instruments: "the aggregate settlement mechanism will have features that eliminate or reduce credit and liquidity risk and that process receivables and payables in a single process or settlement cycle".

Curtailment of debts and liabilities on international postal exchange operations for 2023:

	Carrying amount to curtailment	Offset	Gross carrying amount
Financial receivables	1 549 848	(994 263)	555 585
Advances paid	151 823	(1 279)	150 544
Other current receivables	1 277 867	(1 147 058)	130 809
Accounts payable from operating activities	4 512 143	(1 013 388)	3 498 755
Advances received	199 900	(27 202)	172 698
Other current liabilities	4 947 895	(1 065 167)	3 882 728
Total:	**12 639 476**	**(4 248 357)**	**8 391 119**

As of 31 December 2023 and 31 December 2022, accounts receivable, advances paid, and other receivables are non-interest bearing and are repaid in the normal course of business.

The Company applies the simplified approach to allowance for expected credit losses under IFRS 9, which allows for the use of a lifetime allowance for all receivables. For the purpose of estimating the expected credit loss, receivables are grouped into categories based on common credit risk characteristics and the number of days overdue. The levels of expected credit losses (ECL) are based on the characteristics of sales payments for the 24 months to 31 December 2023 or 31 December 2022, respectively, and similar historical credit losses incurred during this period. Historical loss levels are adjusted to reflect current and forecast information about macroeconomic factors that affect the ability of customers to collect their receivables.

The estimated allowance for credit losses on receivables is determined in accordance with the allowance matrix presented in the table below. The allowance matrix is based on the number of days an asset is overdue.

Key performance indicators as of 31 December 2021:

	Level of losses	Gross carrying amount	Total lifetime ECL
As a % of gross value - not overdue			
Postal operators in other countries	*0,00%*	381 862	-
State institutions and state-owned enterprises	*2,30%*	195 060	1815
Utilities	*2,31%*	6 831	158
Other enterprises	*2,78%*	74 714	2 074
End user	*2,36%*	15 333	362
		673 800	**4 409**
- less than 30 days overdue	*29,15%*	12 695	3 700
- overdue from 31 to 60 days	*43,66%*	9 373	4 092
- overdue from 61 to 90 days	*62,97%*	7 365	4 638
- overdue for more than 90 days	*100,00%*	85 617	85 617
Total financial receivables as of 31 December 2023 (gross carrying amount)		**788 850**	102 456
Allowance for credit losses		(102 456)	-
Total financial receivables as of 31 December 2023.		**686 394**	-

Key performance indicators matrix as of 31 December 2022:

	Level of losses	Gross carrying amount	Total lifetime ECL
In % of gross value			
- not overdue			
• Postal operators in other countries	*0,00%*	193 854	-
• State institutions and state-owned enterprises	*0,89%*	131 538	1 170
• Utility companies	*2,10%*	8 219	172
• Other enterprises	*2,60%*	88 580	2 302
		422 191	**3 644**
- less than 30 days overdue	*29,07%*	12 073	3 510
- overdue from 31 to 60 days	*47,26%*	13 636	6 445
- overdue from 61 to 90 days	*56,79%*	11 284	6 408
- overdue for more than 90 days	*98,99%*	86 774	86 774
Total financial receivables as of 31 December 2022 (gross carrying amount)	-	**545 958**	106 781
Allowance for credit losses	-	(106 781)	-
Total financial receivables as of 31 December 2022	-	**439 177**	-

The following changes occurred in the allowance for impairment of financial and other receivables:

	2023	2022
Allowance for doubtful debts as of 1 January	**106 781**	**81 565**
Use of provisions during the year	(1 827)	-
Reversal of provision during the year	(10 247)	-
Provision accrued during the year	7 749	25 216
Allowance for doubtful accounts as of 31 December	**102 456**	**106 781**

The Company uses the payment method of accounting whereby cash received under a contract is recorded against the receivable with the earliest date of occurrence. Accordingly, the accounts receivable are updated on an ongoing basis, which results in the reversal of the provision for balances with the longest overdue periods as a result of their payment and the accrual of additional provision for those balances for which the days overdue have increased.

As at the reporting dates, the carrying amounts of financial instruments, including receivables, approximate their fair values.

	31 December 2023	31 December 2022
Financial assets		
Other financial investments (1035)	13 418	12 579
Financial receivables (1125)	555 585	325 063
Other current receivables* (1130+1135+1140+1155)	207 743	111 126
Cash and cash equivalents (1165)	5 233 842	3 132 038
Short-term deposits with maturity of more than 3 months	-	**585 098**
Total financial assets	**6 010 588**	**4 165 904**
Financial liabilities		
Trade payables (1615)	*3 498 755*	*2 778 229*
Loans (1510+1610)	*1 008 015*	*1 034 707*
Liabilities under lease agreements (1515 + 1610)	*724 208*	*529 583*
Other current liabilities (1690)	*3 882 726*	*2 174 097*
Total financial liabilities	**9 113 704**	**6 516 616**

*Only Other current receivables that meet the definition of financial assets are included in financial instruments. As of 31 December 2023, the total value of Other current receivables was UAH 297,636 thousand (31 December 2022: UAH 217,442 thousand).

Other financial investments are carried at fair value. All other financial assets and liabilities are carried at amortised cost.

As at the reporting dates, the carrying amounts of financial assets and financial liabilities approximate their fair values.

12. CASH, CASH EQUIVALENTS AND CURRENT FINANCIAL INVESTMENTS

Cash, cash equivalents and current investments consist of cash on hand, demand deposits with banks, cash in transit and short-term deposits.

	31 December 2023	31 December 2022
Funds on demand bank accounts, including	**4 583 152**	**2 792 800**
General purpose bank accounts	*1 743 327*	*2 396 562*
Special purpose bank accounts	*2 839 824*	*396 238*
Short-term deposits with a maturity of up to 3 months	*531 754*	-
Cash	**118 937**	**339 238**
Total cash and cash equivalents	**5 233 842**	**3 132 038**
Short-term deposits with maturity of more than 3 months	**-**	**585 098**
Total cash, cash equivalents and current investments	**5 233 842**	**3 717 136**

Special purpose bank accounts represent funds received from the Pension Fund and other social institutions for the specific purpose of delivering pensions and other social benefits to individuals.

In accordance with the Resolution of the Cabinet of Ministers of Ukraine "On Approval of the Procedure for Providing Compensation for Destroyed Real Estate" No. 600 dated 30 May 2023, Ukrposhta is the implementer of the programme to provide compensation by financing the purchase of an apartment, other residential premises, a manor house, a garden or a country house using a housing certificate in accordance with the Law. The Ministry for Communities, Territories and Infrastructure Development of Ukraine transfers funds to the programme implementer on a monthly basis to an account opened by it with JSC Oschadbank, which is intended solely to finance the purchase of housing using a housing certificate.

As at 31.12.2023, the balance of funds on the special purpose bank account for financing the purchase of housing using a housing certificate amounted to UAH 2,500,000 thousand.

Short-term deposits with a maturity of more than 3 months are presented in the statement of financial position within current investments.

Short-term deposits in 2023 were placed in Ukrainian banks with maturities ranging from 98 to 280 days and bear an average interest rate of 2.62% per annum in foreign currency. Interest earned on deposits is recognised in the Statement of Comprehensive Income within finance income.

As of 31 December 2023, cash, cash equivalents and current financial investments are denominated in the following currencies:

	2023	2022
- Hryvnias	4 397 867	2 656 141
- US dollars	809 020	1 041 718
- Euro	15 709	18 644
- Swiss francs	12 053	633
Total cash, cash equivalents and current investments	**5 234 649**	**3 717 136**

The table below summarises cash, cash equivalents and current investments by credit quality based on Moody's Investors Service ratings:

	31 December 2023	31 December 2022
Funds on demand bank accounts		
Neither past due nor impaired		
AA	751 550	360 462
A2	4 259	7 696
B1	37	1 708 619
Saa3	4 144 966	1 291 298
unrated	214 093	9 823
Total	**5 114 905**	**3 377 898**

As of 31 December 2023, demand deposits and placements in the amount of UAH 2,275,081 thousand (31 December 2022: UAH 2,992,385 thousand) were placed with three major Ukrainian state-owned banks.

13. ASSETS AND LIABILITIES IN THE OCCUPIED TERRITORIES

(а) Russian troops occupied Crimea in late February 2014, and on 1 March 2014, the State Duma of the russian federation approved the use of armed forces on the territory of Ukraine. On 16 March, a so-called referendum on secession from Ukraine was held in Crimea, and on 18 March, russia signed an agreement with Crimea on the accession of the territory of Crimea to the russian federation. Apart from russia, only a few countries recognised the so-called referendum and accession.

In addition, in 2014, armed separatist groups gained control over certain areas of the Donetsk and Luhansk regions in eastern Ukraine. In response, the Government of Ukraine launched an anti-terrorist operation.

The Company has assets and initially recognised liabilities in the Donetsk and Luhansk regions, where the armed conflict continues, and in Crimea. After various dates in 2014, the Company could neither operate using these assets nor move them to the territory controlled by the Government of Ukraine.

As of 31 December 2017, management decided to derecognise liabilities arising from the operations of branches in the temporarily occupied Autonomous Republic of Crimea and certain territories of Donetsk and Luhansk regions in the amount of UAH 111,846 thousand as the limitation period for such liabilities has expired and there are no claims for repayment of such liabilities.

(б) As described in Note 3, on 24 February 2022, the russian federation launched a full-scale military invasion of Ukraine, which became a new round of armed aggresion. Taking into account the circumstances in Ukraine caused by the military actions of the russian federation starting from 24 February 2022, the temporary occupation of part of the country's territory by the military forces of another state, which together led to significant destruction of assets, impossibility of doing business in some of the Company's directorates, lack of physical access and loss of control over assets located in the temporarily occupied territories of Luhansk, Kherson, Donetsk, and Zaporizhzhia. The Company continues to assess the impairment of assets and liabilities in respect of branches located in the uncontrolled territories. As of 31 December 2022, the Company determined the list of non-current assets, inventories, cash, receivables located in the temporarily occupied territories and territories of hostilities and impaired the respective assets. During 2023, the Company also impaired non-current assets located in the temporarily occupied territories and territories of hostilities.

14. SHARE CAPITAL

As of 31 December 2016, the Company was registered as a state-owned enterprise as defined by Ukrainian legislation. In March 2017, Ukrposhta was registered as a JSC with 100% of shares owned by the state of Ukraine. JSC "Ukrposhta" is the legal successor of the state-owned enterprise.

As a part of the Government, the Company is directly subordinated to the Ministry for Communities, Territories and Infrastructure Development of Ukraine. The formal owner of the Company is the State Property Fund of Ukraine, which owns 100% of the Company's share capital.

In March 2017, the Government of Ukraine completed the reorganisation of the Company from a state-owned enterprise into a joint stock company. The reorganisation into a joint-stock company was carried out in accordance with the Transformation Plan, which was approved by the Ministry for Communities, Territories and Infrastructure Development of Ukraine. The transformation was carried out by way of corporatisation and registration as a JSC with 6,518,597 authorised and issued ordinary shares with a nominal value of UAH 1,000 per share. The issued shares were fully paid at par.

As of 31 December 2023 and 2022, 100% of the Company's shares are owned by the State of Ukraine, are not subject to alienation, are not listed on a stock exchange and are not traded on the market.

The valuation of Ukrposhta shares was carried out with the involvement of an independent appraiser who assessed the fair value of the Company's assets and liabilities in accordance with the rules for valuation of shares developed by the State Property Fund of Ukraine. The value of the share capital was calculated as the fair value of assets less the fair value of liabilities at the valuation date. The fair valuation is required by the corporatisation rules to enable the Government to determine the value of the share capital of the new entity. As the new entity, which is JSC "Ukrposhta", is a continuation of the existing business, assets and liabilities of the previous legal entity, the above fair values of assets and liabilities could not be recognised in the Company's financial statements.

Accordingly, the effect of the formation of the share capital of the new company was presented as a corporatisation effect in the amount of UAH 5,254,038 thousand as a separate reserve in equity.

	Number of ordinary shares	Registered capital	Effect. corporatisation	Total
As of 31 December 2023 / 31 December 2022	6 518 597	6 518 597	(5 254 038)	**1 264 559**

As of 31 December 2023 and 31 December 2022, net assets in the total amount of UAH 623,439 thousand and UAH 1,419,800 thousand, respectively, were less than the Company's registered share capital of UAH 6,518,597 thousand. In accordance with the requirements of the Law of Ukraine "On Joint Stock Companies" (the "Law"), if the net assets according to the latest annual financial statements are less than 50 per cent of the registered share capital or have decreased by more than 50 per cent compared to the same indicator as at the end of the previous year, the Supervisory Board of the Company is obliged to take all actions related to the preparation and holding of the general meeting, the agenda of which includes the following items: measures to improve financial position of the Company, decrease of share capital or liquidation of the Company.

Management believes that this issue will not have a material adverse effect on the Company's operations or financial statements and will be resolved by taking measures envisaged by the Company's strategy to gradually improve the Company's financial position over the next 3 years or earlier. Therefore, the issue of reducing the Company's share capital is not an adequate and necessary measure.

Deductions for dividend payments

The amount of profit for each reporting period distributable to shareholders is determined based on the Company's financial statements prepared in accordance with IFRS. In accordance with Ukrainian legislation, the amount of dividends is limited to the amount of net profit for the reporting year or any other distributable reserves not exceeding the amount of retained earnings as shown in the financial statements prepared in accordance with IFRS. The company must decide on the payment of dividends by 30 April and pay dividends to the state budget by 30 June of the year following the reporting year. Each year, the Cabinet of Ministers of Ukraine approves the rate of deduction of the share of profit allocated to dividends by a separate resolution. If such a resolution is not adopted by 30 June, the Company is obliged to transfer 30% of its net profit to the state budget of Ukraine as provided for by the Law of Ukraine "On Management of State-Owned Property" No. 185-V dated 21 September 2006, or in accordance with the requirements of the Law of Ukraine "On Joint Stock Companies" No. 514-VI dated 17 September 2008, to pay dividends in the amount established by the Shareholder's resolution.

Based on the results of its financial and economic activities in 2023, the Company does not pay dividends due to losses incurred mainly as a result of the negative impact of the war on the Company's operations in general.

15. BORROWED FUNDS

Borrowings consist of bonds issued by the Group and a bank loan. The carrying amounts of borrowed funds are shown below:

	31 December 2023	31 December 2022
Long-term bank borrowings (line 1510)	795 276	863 115
Short-term bank borrowings (line 1600)	-	3 381
Current portion of bank borrowings (line 1610)	212 739	168 211
Total	**1 008 015**	**1 034 707**

The cash and non-cash movements in borrowings for the period are set out in the table below:

	2023	2022
Opening balance as of 1 January	**1 034 707**	**740 101**
Cash flows		
Payment of interest	(58 563)	(28 597)
Borrowings repaid	(177 306)	(141 948)
New borrowings obtained	59 335	192 611
Non-cash movements		
Amortisation of discount (premium)	11 303	21 880
Interest accrued during the period	57 454	27 426
Foreign exchange loss accrued during the period	81 085	223 235
Ending balance as of 31 December	**1 008 015**	**1 034 707**

Bonds

In November 2023, the Company repaid the nominal value and coupon interest income on the Series C bonds on time.

The Company fully met all its obligations under the registered interest-bearing ordinary bonds issued in 2017.

Term loans

In October 2020, the Company signed a financing agreement with the European Investment Bank for the implementation of a project to develop a logistics network. The total cost of the project is estimated at EUR 62 million, of which EUR 30 million is to be financed by the EIB. The agreement provides for financing for a term of up to 20 years with a fixed or floating rate.

In November 2020, the Company signed a loan agreement with the EBRD (European Bank for Reconstruction and Development) for a loan of EUR 63 million. The loan consists of three tranches, namely:

Tranche 1 and Tranche 3 in the amount of EUR 23 million and EUR 10 million respectively to finance the completion of the Rural Post Office project, which involves the purchase of new equipped vehicles (up to 1900 vehicles) for mobile post offices in 17 regions, POS terminal equipment (3-in-1 devices) and the implementation of a new Front Office system for the digitalisation and automation of postal services. Tranches 1 and 3 are provided for a period of up to 8 years.

Tranche 2 - EUR 30 million to finance the second half of the investment project for the development of the logistics network. The tranche is available for up to 12 years.

Under the EBRD loan agreement, a fixed or floating rate may be applied.

Both loan agreements are secured by state guarantees. The Company, in its turn, signed respective agreements with the Ministry of Finance of Ukraine on repayment of the debt to the state for fulfilment of the guarantee obligations, which provide for the provision of the following collateral:

- pledge of rights to the Company's real estate for an amount equal to the amount of financing under the EBRD and EIB loan. As of 31 December 2023, mortgage agreements dated 01.10.2021 and 27.10.2023 were concluded with the Ministry of Finance of Ukraine in the amount of EUR 63 million and EUR 30 million, respectively;

- the right to contractually write off funds in the amount of outstanding obligations in favour of the State of Ukraine and at the request of the Ministry of Finance from the Company's main accounts, except for accounts with a special regime of use.

As of 31 December 2023, funding under the loan agreement with the EBRD was received in the amount of EUR 30,135 thousand, EUR 6,320 thousand was repaid, total debt as of 31 December 2023 was EUR 23,815 thousand, and the amortised cost of loan liabilities was UAH 1,008,015 thousand.

As of 31 December 2023, the Company was in breach of the financial covenants under the loan agreement with the EBRD. At the request of the Company, in December 2023, the EBRD provided a letter of waiver to remove the requirement to comply with the financial covenants for 2023. Accordingly, the liability under the EBRD loan was classified as non-current as of 31 December 2023.

Fair value

The EBRD loan is part of a special programme to implement a project to develop a logistics network. The loan is part of a specific market of instruments with specific terms and objectives. There are a limited number of lenders in the market for such instruments, supranational institutions that finance the specific needs of a large number of companies that meet the conditions for obtaining financing. Consequently, management believes that such lenders are the "Market-makers" of this specific market.

The loan was obtained on standard terms for the market and at interest rates that do not differ materially from those for the market in similar circumstances. Management believes that the fair value of this instrument does not differ materially from its carrying amount.

Financial liabilities are carried at amortised cost. The fair value is categorised within Level 3 of the fair value hierarchy.

Other liabilities

Other liabilities are as follows:

	31 December 2023		31 December 2022	
	short-term	**long-term**	**short-term**	**long-term**
Liabilities under finance leases (transport)	96 519	73 662	113 812	83 693
Lease commitments (real estate)	176 655	376 265	149 560	181 402
Other liabilities		1 106	-	1 116
Total lease commitments	**273 174**	**451 034**	**263 372**	**266 211**

Movements in lease liabilities in 2023 are presented below:

	Liabilities under finance leases (transport)	**Lease commitments (real estate)**
1 January 2023	**197 505**	**330 962**
Additions	132 053	256 432
Remeasurement of a liability	-	172 465
Accrued interest	22 973	80 488
Payments	(221 910)	(215 036)
Disposals	-	(72 391)
Other changes	39 560	-
31 December 2023	**170 181**	**552 920**

Movements in lease liabilities in 2022 are presented below:

	Liabilities under finance leases (transport)	**Lease commitments (real estate)**
1 January 2022	**239 476**	**295 171**
Additions	86 577	219 578
Remeasurement of a liability		(24 695)
Accrued interest	26 028	39 296
Payments	(187 112)	(118 416)
Disposals		(79 972)
Other changes	32 536	-
31 December 2022	**197 505**	**330 962**

The Lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. However, vehicle lease agreements are used as collateral for borrowings. The total value of such collateral as of 31 December 2023 is UAH 388,228 thousand (31 December 2022: UAH 345,274 thousand).

The Company revised its right-of-use asset and related liability due to changes in material terms of the lease. Renegotiation of the lease agreement for a new term and at a new value was treated as a new liability. The balances of assets and liabilities under the previous agreements were eliminated and the corresponding adjustments were recognised in the financial statements.

No new finance lease agreements were entered into in 2023.

Future minimum lease payments and the present value of lease payments are as follows

	2023		2022	
	Minimum rental payments	**Present value of lease payments**	**Minimum rental payments**	**Present value of lease payments**
Up to one year	371 318	273 174	353 103	263 372
From one to five years	716 196	420 308	409 242	251 770
More than five years	81 863	29 619	28 294	13 325
Total amount of minimum lease payments	**1 169 377**	**723 101**	**790 639**	**528 467**
Less: future finance costs	(446 276)	-	(262 172)	-
Present value of minimum lease payments	**723 101**	**723 101**	**528 467**	**528 467**

Short-term lease expenses for low-value non-current assets amounted to UAH 37 million.

16. ACCOUNTS PAYABLE FROM OPERATING ACTIVITIES

Accounts payable from operating activities are mainly represented by liabilities payable to other postal operators and other payables.

As of 31 December 2023, 93% of trade payables were denominated in SDRs, 6% in UAH, 1% in USD and 0.3% in EUR (as of 31 December 2022, 91% of trade payables were denominated in SDRs, 8% in UAH, 1% in USD and 0.1% in EUR).

As of 31 December 2023, accounts payable from operating activities of in the amount of UAH 3,270 430 thousand represent liabilities payable to other postal operators (31 December 2022: UAH 2,397,257 thousand).

Trade payables represent unsecured financial liabilities. Trade payables to counterparties in Ukraine are generally due within 60 days of recognition.

The company is a member of the Universal Postal Union. The Company uses the services of foreign postal operators to deliver letters and parcels from Ukraine to recipients abroad. The cost of such services is regulated by the Universal Postal Convention. Accounts payable to postal operators in other countries are usually settled within 6 months to 2 years.

The fair value of trade payables approximates their carrying amount.

17. ACCRUALS AND OTHER LIABILITIES

The Company expects that the accrued vacation leave provision will be largely utilised within twelve months after the reporting date. Accrued bonuses are payable within three months after the reporting date.

	Secure at on 01 January 2023	**Accrued for the reporting period**	**Used in the reporting period**	**Collateral as of 31 December 2023**
Provision for unused vacation	538 006	576 011	(500 189)	613 828
Provisions for employee bonuses	71 823	275 762	(241 873)	105 712
Provisions related to legal claims	9 314	19 674		28 988
Provision for other claims	0	170 973	-	170 973
Total collateral	**619 143**	**1 042 420**	**(742 062)**	**919 501**

Provisions for other claims include an accrued provision for unsettled payments in favour of a counterparty, the Social Security Administration, based on a legal obligation as a result of past events in the amount of UAH 153 million.

18. DEFERRED INCOME

Deferred income consists of the following components:

	31 December 2023	31 December 2022
Delivery of parcels and small packages	70 773	113 037
Unused postage stamps	128 786	98 965
Delivery of periodicals	132 865	89 580
Acceptance of cash payments and electronic transfers	11 208	14 750
Other	503	2 921
Total deferred income	**344 135**	**319 253**

Unused postage stamps represent advance payments for stamps purchased by individuals and businesses but not yet used as at the reporting date. Estimates of this item of deferred revenue are based on various estimation and sampling techniques with external experts' input whenever appropriate (refer to Note 4).

19. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following accounts payable items:

	31 December 2023	31 December 2022
Money transfers due to customers	379 436	863 761
Collected amounts due to utility companies	298 905	509 957
Advanced pensions and other social payments	2 774 835	346 450
Amounts due to publishers	218 089	253 781
Accounts receivable for goods sold	88 872	83 177
Other	122 589	116 972
Other current liabilities	**3 882 726**	**2 174 098**

Other current liabilities are unsecured financial liabilities denominated primarily in UAH and are generally due within 60 days of recognition. The fair value of other current liabilities approximates their carrying amounts.

Advances received for pensions and other social benefits are liabilities for cash received for the payment of pensions and other social benefits that have not yet been delivered to the recipient.

20. REVENUE FROM SALES OF GOODS, WORKS AND SERVICES

Revenue from sales of goods, works and services comprised the following:

	2023	2022
National postal services	**6 481 499**	**5 493 340**
Delivery of parcels and small packages	3 448 725	2 569 759
Letters	1 535 661	1 725 587
International postal exchange	919 587	571 133
Subscription and delivery of periodicals	197 853	332 904
Delivery of bills and information materials	300 061	-
Other postal services	79 612	293 957
Financial and related services	**4 213 515**	**3 979 989**
Delivery of pensions and other social benefits	2 801 123	2 694 149
Utility payments	1 014 988	1 029 211
Postal money transfers	317 187	168 141
Other financial services	80 217	88 488
Sale of own and commissioned goods	**873 322**	**849 417**
Other commercial services	**12 775**	**673**
Total revenue from sales of goods, works and services	**11 581 111**	**10 323 419**

Revenues are derived from sales to customers whose geographical location is shown below*:

	2023	2022
Ukraine	10 661 524	9 752 286
Latvia	444 142	176 997
Estonia	149 596	2 136
Poland	57 445	-
Hong Kong	56 416	50 640
Japan	31 425	-
Germany	23 698	-
Netherlands	17 355	-
Singapore	17 066	-
USA	15 816	-
United Kingdom	15 316	-
France	14 564	-
Israel	12 934	-
Russia	-	15 847
China	9 121	10 443
Other countries	54 693	315 070
Total revenue from sales of products (goods, works, services)	**11 581 111**	**10 323 419**

* geographical analysis is presented based on the location of the counterparty to which the Company provides services.

The timing of revenue recognition (separately for each source) is set out below:

	2023	2022
At a certain point in time	**11 425 616**	**10 042 951**
Delivery of pensions and other social benefits	2 801 123	2 694 149
Delivery of parcels and small packages	3 448 725	2 569 759
Letters	1 535 661	1 725 587
Utility payments	1 014 988	-
Postal money transfers	317 187	-
Other financial services	80 217	1 285 840
International postal exchange	919 587	571 133
Retail trade and other services	873 322	849 417
Other postal services	379 673	293 957
Subscription fee	42 358	52 436
Other commercial services	12 775	673
During the period	**155 495**	**280 468**
Delivery of periodicals	155 495	280 468
Total revenue	**11 581 111**	**10 323 419**

The amount of revenue from international postal exchange for 2023 includes a significant portion for which the reconciliation process with postal operators in other countries was partially completed as of the date of approval of these financial statements, with a corresponding adjustment to the estimated revenue amounts.

21. COST OF SALES OF GOODS, WORKS AND SERVICES

Cost of sales of goods, works and services for the year comprised the following:

	2023	2022
Payroll	4 685 751	4 434 851
Social security taxes	1 031 641	1 045 324
Material costs	1 095 001	909 479
Payments to foreign postal operators	1 033 510	1 134 531
Depreciation and amortization	680 020	559 685
Cost of goods sold	332 591	350 638
Bank fees	165 284	114 883
Current repairs and maintenance of premises	265 311	-
Lease of property	37 756	-
Communication costs	106 195	-
Maintenance of non-current assets	126 789	-
Other	1 096 679	1 377 467
Cost of sales of goods, works and services	**10 656 528**	**9 926 858**

The amount of costs incurred for international postal exchange in 2023 includes a significant portion for which the reconciliation process with postal operators in other countries was partially completed as at the date of approval of these financial statements, with a corresponding adjustment to the estimated costs.

22. SELLING EXPENSES

Selling expenses for the year consisted of the following components:

	2023	2022
Payroll	222 842	161 524
Social security taxes	45 094	33 961
Material costs	6 279	3 573
Advertising expenses	4 269	6 377
Depreciation and amortisation	1 767	521
Other	1 000	1 944
Total selling and distribution expenses	**281 252**	**207 900**

23. ADMINISTRATIVE EXPENSES

Administrative expenses for the year consisted of the following components:

	2023	2022
Payroll	1 033 392	840 740
Social security taxes	202 393	170 971
Mandatory payments, taxes and fees	91 036	65 205
Depreciation and amortisation	30 091	18 938
Material costs	14 939	6 223
Other	57 829	46 310
Total administrative expenses	**1 429 681**	**1 148 387**

Administrative expenses include, among other things, expenses for the statutory audit of the annual financial statements and services for the performance of agreed-upon procedures with respect to financial information.

24. OTHER OPERATING EXPENSES

Other operating expenses for the year consisted of the following components:

	2023	2022
Foreign exchange losses	119 748	146 056
Payroll	32 658	32 357
Social security taxes	21 117	25 098
Shortage of inventory and cash	14 578	111 441
Compensation for the cost of lost postal items	55 597	45 052
Depreciation and amortisation	3 494	3 842
Allowance for doubtful debts	(70 459)	40 015
Fines and penalties	2 554	1 800
Security for legal claims	190 647	-
Material costs	8 298	-
Other	1 494	6 242
Total other operating expenses	**379 726**	**411 903**

25. OTHER FINANCIAL INCOME

Finance income for the year comprised the following components:

	2023	2022
Interest received on bank balances	121 614	140 033
Other	5 685	386
Total financial income	**127 299**	**140 419**

26. FINANCIAL EXPENSES

Finance costs for the year consisted of the following components:

	2023	2022
Finance costs on bank loans	68 212	45 014
Accrued interest on lease liabilities	80 488	39 296
Interest expense on finance lease liabilities	26 641	26 028
Bond servicing costs	545	4 292
Other	2 034	424
Total financial expenses	**177 920**	**115 054**

27. OTHER OPERATING INCOME

Other operating income for the year comprised the following components:

	2023	2022
Rental income	111 718	97 865
Compensation for the cost of lost postal parcels	13 579	28 344
Income from the provision of exchange services	114	13 328
Income from donated current assets	146 348	-
Other	33 323	40 225
Total other operating income	**305 082**	**179 762**

In 2023, the Company recognised income from donated assets of UAH 146 million of current assets, including Starlink Internet services and technical assistance under the agreement with the EBRD in the form of unconditional financial support from international financial institutions and recognised income from donated current assets in the amount of UAH 111,929 thousand.

28. OTHER INCOME

(in thousands of Ukrainian hryvnias)	2023	2022
Gain on sale of real estate	30 634	67 117
Income from donated non-current assets	54 940	58 890
Gain on disposal of right-of-use assets	12 198	-
Gain on changes in the value of financial instruments	839	-
Other	605	405
Total other income	**99 216**	**126 412**

In 2023, the Company recognised income from donated non-current assets of UAH 54 million, including, as part of the agreement with the EBRD in 2023, the Company received non-current assets (generators, Starlink V3 equipment) from international financial institutions in the form of immediate financial support without future related costs and recognised income from donated non-current assets in the amount of UAH 49,392 thousand.

29. OTHER EXPENSES

(in thousands of Ukrainian hryvnias)	2023	2022
Non-operating foreign exchange loss	122 981	255 951
Impairment of non-current assets	6 140	216 909
Contributions to trade unions	16 360	8 570
Losses from changes in the value of financial instruments	-	6 499
Write-off of non-current assets	1 987	4 828
Other	4 413	315
Total other expenses	**151 881**	**493 072**

30. INCOME TAX

	2023	2022
Current income tax expense	-	1 684
Income from deferred income tax	(167 919)	(276 757)
Income tax expense/(income)	**(167 919)**	**(275 073)**

The Company is subject to taxation in Ukraine. In 2023 and 2022, the Company's income tax was levied on taxable income less deductible expenses at the rate of 18%.

Negotiating the effective tax rate:

	2023	2022
Profit/(loss) before taxation	**(964 280)**	**(1 533 162)**
Statutory income tax rate	18%	18%
Tax expense/(income) at the statutory rate	**(173 570)**	**(275 969)**
Net effect of non-deductible/(income) expenses	5 651	896
Items for which no deferred tax was recognised in prior periods	-	-
Income tax expense/(income)	**(167 919)**	**(275 073)**

Differences between Ukrainian statutory taxation regulations and IFRS give rise to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Movements in recognised temporary differences during the year ended 31 December 2023 are as follows

	1 January 2023	Charged to profit or loss	31 December 2023
Property, plant and equipment and investment property	(153 479)	6 016	(147 463)
Intangible assets	(493)	(10)	(503)
Non-current assets held for sale	(6 899)	2 126	(4 773)
Inventories and collateral	6 518	37 679	44 197
Trade and other receivables	20 289	(6 431)	13 858
Cash and financial assets	14 348	(7 760)	6 588
Tax losses of previous periods	207 368	136 299	343 667
Net deferred tax assets (liabilities)	**87 652**	**167 919**	**255 571**

The main negative factor in the accumulation of tax losses is undoubtedly the impact of the military conflict. The Company's management expects that the deferred tax asset recognised for accumulated tax losses in the amount of 343,667 as of 31 December 2023 will be recovered within the next 5 years after the reporting date, subject to the terms and conditions of the current tax legislation.

Movements in recognised temporary differences during the year ended 31 December 2022 are as follows

	1 January 2022	Charged to profit or loss	31 December 2022
Property, plant and equipment and investment property	(201 483)	48 004	(153 479)
Intangible assets	2 149	(2 642)	(493)
Non-current assets held for sale	(7 304)	405	(6 899)
Inventories and collateral	1 617	4 901	6 518
Trade and other receivables	15 916	4 373	20 289
Cash and financial assets	-	14 348	14 348
Tax losses of previous periods	-	207 368	207 368
Net deferred tax assets (liabilities)	**(189 105)**	**276 757**	**87 652**

All tax differences, except for those related to property, plant and equipment and investment property, are expected to be realised within the next two accounting periods.

31. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Tax legislation. Ukrainian tax, currency and customs legislation within Ukraine is subject to rapid changes and varying interpretations. The relevant state and local authorities may have a different interpretation of the legislation than that of the Company's management in the context of the Company's activities and transactions. Recent events within Ukraine suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, additional significant taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the tax authorities in respect of tax matters for three calendar years after the end of the financial year. The periods remain open to review by the authorities in certain circumstances.

The Ukrainian tax administration is gradually becoming more sophisticated, including the risk of review of transactions that do not have a clear business purpose or involve counterparties that do not comply with tax legislation. Fiscal periods remain open to review by the tax authorities in respect of tax matters for three calendar years after the end of the period. Under certain circumstances, the review may cover longer periods.

Impairment of assets. The Company has recorded an impairment of its non-current assets located in the non-controlled areas of Donetsk and Luhansk regions (Note 13a). The tax authorities may review this transaction and interpret it differently and indirect taxes in the amount of UAH 90.6 million (including interest) may be accrued as a result of the impairment.

Management believes that it has a strong case to successfully defend its position in the event of such a challenge and has not recognised any provision for this tax risk in these financial statements.

Issues related to environmental protection. The enforcement of environmental regulations in Ukraine is evolving and the position of the authorities is continually being reviewed. As liabilities are incurred, they are recognised in the financial statements in the period in which they are incurred. Liabilities, arising from changes in existing regulations, legislation, or legal proceedings, are not reasonably estimable, but could be material. In the current enforceable position under existing legislation, management believes that there are no material liabilities for environmental obligations.

Liabilities of NCT. As described in Note 13a, the Company derecognised liabilities of its branches arising from their operations in the temporarily occupied Autonomous Republic of Crimea and certain districts of Donetsk and Luhansk regions. Under certain liabilities, it is possible that future claims may be made against the Company, but management believes that the likelihood of such events occurring is remote and remote.

32. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks, including market risk (including price risk, currency risk, cash flow risk and fair value interest rate risk), credit risk and liquidity risk. The primary objectives of financial risk management are to set risk limits and to ensure that such limits are not exceeded.

The risk management function is carried out by the central treasury department in close cooperation with the operating divisions and in accordance with the policy approved by the Management Board. The Company's treasury department identifies, evaluates and recommends risk management methods to minimise risks.

Credit risk. The Company is exposed to credit risk, which arises when the other party to a contract is unable to meet its obligations in full when they fall due. Credit risk arises from the Company's cash and cash equivalents and deposits with banks, which are classified as current investments in the Statement of Financial Position, and from transactions with customers, including outstanding receivables.

Credit risks are analysed and monitored on a customer-by-customer basis. Credit assessments are performed on all customers seeking credit above the established limit.

The Company's management analyses outstanding trade receivables by their ageing and subsequently monitors overdue balances. Therefore, management believes it is appropriate to provide ageing and other information about credit risk in these financial statements.

The maximum amount exposed to credit risk as at the reporting date is UAH 5,809,101 thousand (31 December 2022: UAH 3,837,033 thousand), representing the carrying amount of financial receivables, accrued income and cash on bank accounts. The Company does not hold any collateral over its receivables.

The Company's management believes that credit risk has been adequately accounted for in the allowances for impairment of the respective assets (refer to Note 11).

Concentration of credit risk.

The Company analyses concentration of credit risk. As of 31 December 2023, trade and other financial receivables from the Company's three largest debtors amounted to UAH 277,318 thousand, or 40% of the total amount of such receivables (as of 31 December 2022 - UAH 171,266 thousand, or 39%). Management constantly monitors the situation with key debtors to ensure timely payments for the services provided by the Company.

Market risk. The Company is exposed to market risks. Market risks arise from open positions in (a) foreign currencies and (b) interest bearing assets and liabilities, all of which are largely dependent on general and specific market movements. Management sets limits on the amount of risk accepted and monitors such limits on a daily basis. However, this approach does not prevent losses outside these limits in the event of more significant market movements.

The sensitivities to market risks presented below are based on a change in one factor with all other factors held constant. In practice, this is rarely the case, and changes in some factors may be interrelated, for example, changes in interest rates and changes in foreign exchange rates.

Foreign currency risk. The Company operates primarily in Ukraine and its exposure to foreign currency risk relates primarily to borrowings, cash and deposits denominated in USD or EUR, and accounts receivable and payable denominated in SDR. The increased uncertainty in Ukraine has led to volatility in the foreign exchange market and caused the UAH to depreciate sharply against major foreign currencies.

The table below sets out the Company's currency risk concentrations at the end of the reporting periods in respect of USD, SDR and EUR:

	31 December 2023	31 December 2022
Monetary financial assets	1 200 523	1 254 493
Monetary financial liabilities	(4 301 661)	(3 596 274)
Net balance sheet position	**(3 101 138)**	**(2 341 781)**

A 20% strengthening or weakening of the SDR, USD and EUR against UAH would decrease or increase the Company's net financial result by UAH 508,587 thousand, respectively (31 December 2022: by UAH 384,052 thousand).

Reasonably possible changes in the exchange rates of other currencies would not have a material impact on the Company's financial results.

Interest rate risk. The Company's interest rate risk arises from liabilities on bonds issued. The Company independently sets the interest rate on the bonds issued. Borrowings at fixed rates expose the Company to fair value interest rate risk. The Company does not actively manage its interest rate risk as it is considered to be insignificant.

Refer to Note 15 for the maturities and effective interest rates of borrowings. Interest rates on floating rate instruments are reset at maturity.

Reasonably possible changes in market interest rates would not have a material impact on the Company's

financial results.

Price risk. The Company is not exposed to price risk that would have an impact on its financial statements, as it does not have significant investments in securities and financial instruments that could be exposed to this risk.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Prudence in managing liquidity risk involves maintaining sufficient cash and other liquid financial instruments to meet existing obligations as they fall due. The Company's liquidity management is currently carried out by monitoring accounts receivable and payable, as well as expenditures on business transformation programmes requiring capital expenditures. The table below summarises the Company's contractual maturities by remaining contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Set out below is an analysis of financial liabilities by their remaining contractual maturities as of 31 December 2023:

	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	From 5 years old
Liabilities				
Other current liabilities (line 1690)	3 882 727	-	-	-
Accounts payable from operating activities (line 1615)	3 498 755	-	-	-
Borrowed funds (line 1600 and 1510 and within "Current accounts payable for settlements on long-term liabilities")	2 072	210 667	791 319	3 957
Lease liabilities (included in "Other non-current liabilities" and "Current accounts payable for settlements of non-current liabilities")	-	371 318	716 196	81 863
Total future payments, including principal and interest payments	**7 383 553**	**581 985**	**1 507 515**	**85 820**

Set out below is an analysis of financial liabilities by their remaining contractual maturities as of 31 December 2022:

	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	From 5 years old
Liabilities				
Other current liabilities (line 1690)	2 174 098	-	-	-
Accounts payable from operating activities (line 1615)	2 778 229	-	-	-
Borrowed funds (line 1600 and 1510 and within "Current accounts payable for settlements on long-term liabilities")	1 634	159 564	740 484	133 025
Lease liabilities (included in "Other non-current liabilities" and "Current accounts payable for settlements of non-current liabilities")	190 208	162 397	409 624	28 410
Total future payments, including principal and interest payments	**5 144 169**	**321 961**	**1 150 108**	**161 435**

33. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company does not currently have a formal capital management policy.

34. EVENTS AFTER THE REPORTING DATE

Military aggression

The company continues to operate in the context of the military conflict with russia and there have been no significant changes in the operations of Ukrposhta since the date of the annual financial statements of 2023.

As at the date of authorisation of these financial statements, the following regions remain temporarily occupied: Donetsk, Luhansk, Kherson and Zaporizhzhia regions. About 12% of post offices are located in these areas. Currently, there are almost 28,967 points of service.

Investments

In this environment, the Company continues to invest and plans to complete key strategic projects in 2024. In particular:

- switching to a hub-based automated sorting model, launching a new tracking system and revising transport routes;
- Implementation of a new front-end system for post offices;
- Launching other back-end and transactional IT systems to increase operational efficiency and improve the quality-of-service delivery (CRM, new payment system, etc.).

The Company will also continue to invest in new vehicles to upgrade its fleet and reduce dependence on third-party transport services (with financial support from the European Bank for Reconstruction and Development).

A particularly important area for the Company is to bring its branch network up to the modern level, while implementing innovative solutions, including those aimed at creating a barrier-free environment for customers and employees. This programme is envisaged in the long-term development plan for 2024-2026 and the pace of its implementation will depend on the Company's financial capabilities.

No other significant events have been identified that would require adjustments or disclosures in the Company's financial statements for the year ended 31 December 2023.

Approved for issue and signed on 24 April 2024.

I. Smelyansky	M. Paliy	K. Klymenko
General Director	Deputy General Director for Finance	Chief Accountant