JSC "Ukrposhta"

Financial Statements according to International Financial Reporting Standards and Independent Auditor's Report

31 December 2022

CONTENT

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Supervisory board of JOINT STOCK COMPANY "UKRPOSHTA"

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of *JOINT STOCK COMPANY* "UKRPOSHTA" (hereinafter – the "Company"), which comprise:

- the balance sheet (statement of financial position) (form No.1) as at 31 December 2022;
- the statement of financial results (statement of comprehensive income) (form No.2), the statement of cash flows (by indirect method) (form No.3) and the statement of changes in equity (form No.4) for the year then ended; and
- notes to the financial statements, including a brief summary of significant accounting policies.

In our opinion, except for the effect of the matter (i) and possible effect of the matters (ii) and (iii), 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 2022 and its financial results and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and with financial reporting requirements of the Law of Ukraine "On accounting and financial reporting in Ukraine" ("Law on accounting and financial reporting").

Basis for Qualified Opinion

(i) As stated in Note 2 to the financial statements, due to the military invasion of the russian federation in February 2022, the Company lost control over Luhansk branch, as well as certain assets of the Kherson, Mykolaiv, Zaporizhzhya, Kharkiv and Donetsk branches located at the temporarily occupied territory. Despite impairment indicators that existed as at 31 December 2022, the Company did not perform an impairment test of controlled property, plant and equipment, intangible assets, investment property, capital investments and non-current assets held for sale, which is a deviation from the requirements of IAS 36 "Impairment of Assets" and IFRS 5 "Non-current assets held for sale and discontinued operations". We could not determine the amount of the adjustment to the carrying amount of property, plant and equipment, intangible assets, investment property, capital investments as at 31 December 2022 and the corresponding items that make up the financial statement of financial results (statement of comprehensive income) and the statement of changes in equity for the year ended 31 December 2022.

(ii) As stated in Note 13(b) to the financial statements, the management of the Company had significant limitation of access to financial information of the Kherson, Luhansk, Mykolayiv, Zaporizhzhya, Kharkiv and Donetsk branches as at 31 December 2022. Taking into consideration dynamic changes in the frontline territories of Ukraine, the management is still in the process of identifying assets and liabilities of postal offices located on the temporarily occupied territory of Ukraine as of the date of approval of financial statements. Consequently, we were unable to obtain sufficient and appropriate audit evidence relating to carrying amount of assets and liabilities (after elimination of internal balances) of these branches as at 31 December 2022 and the total income and expenses of these branches for the year than ended. Thus, we were unable to determine whether any adjustments to corresponding items of financial statements were necessary due to this limitation.

(iii) For the year ended 31 December 2021, the Company recognised sales of own goods and commission goods of UAH 448,185 thousand. Due to deficiencies of accounting systems relating to sales of own goods and commission goods we were unable to obtain sufficient and appropriate audit evidence with respect to this amount. Consequently, we were not able to determine whether any adjustments to the respective sales for the year ended 31 December 2021 were necessary. Our opinion on the financial statements for the year ended 31 December 2021 was modified accordingly. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 3 and Note 34 to the financial statements, which indicates that since 24 February 2022 the Company's operations are negatively affected by the ongoing military invasion of Ukraine, with the magnitude of further developments or the timing of their cessation being uncertain. As presented in Note 3, these conditions, along with other matters as set forth in Note 34 indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

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

Key audit matter	How our audit addressed the key audit matter
Revenues and expenses related to international postal exchange, UAH 571 133 thousand and UAH 1 134 531 thousand *Refer to Notes 20 and 21*	
We focused our attention on this area as a key audit area because revenue is a significant risk and revenues and expenses from international postal exchange are recognised during the year based on estimates made by management on the basis of the volume of transactions agreed with each individual foreign postal operator and tariffs, approved by the Universal Postal Union (UPU) and its rules. The final amounts are agreed between parties after the end of the reporting period and therefore the estimates could be subject to adjustment. The Company performs a detailed calculation based on recorded volumes and the UPU tariffs. The Company subsequently confirms first the volume information, and later the amount of revenues and expenses in annual, quarterly or monthly invoices issued to and received from individual countries.	We applied different testing approaches to revenue and expenses from international postal exchange depending on the stage of invoices confirmation, namely: - For transactions with postal operators of other countries for which confirmed invoices with revenue and expense amounts were obtained at the time of our audit procedures, we tested revenues and expenses by cross-referencing the amounts on the sample basis to the related invoices. - For transactions with postal operators of other countries for which confirmed invoices with only shipment volumes were obtained at the time of our audit procedures, we tested revenues and expenses by cross-referencing the volumes on a sample basis to the related invoices and recalculating revenue earned and expenses incurred using the confirmed data about the volume of cross-border shipments and tariffs as per the UPU. - Further, we tested on a sampling basis revenues and expenses for 2021 agreeing them with relevant amounts in invoices confirmed with postal operators from other

Key audit matter	How our audit addressed the key audit matter
	countries, obtained after the issue date of financial statements for 2021. - Additionally, we tested roll-forward of related receivables due from and payables due to postal operators of other countries. In this test, the accrued revenues and expenses were agreed to amount as per invoice of the relevant postal operator. - Also, we recalculated foreign exchange differences that result from receivable and payable balances with postal operators of other countries. - We reconciled revenues and expenses recognised in the end of the year with data in information notices about dates when relevant shipments have been obtained. In particular, we concentrated on time when relevant revenues and expenses were recognised.
Revenue from sales of own and commissioned goods and Amounts due for sold merchandise, UAH 849 417 thousand and UAH 83 177 thousand *Refer to Notes 20 and 19*	
Although the Company's management applies limited estimations within recognition of revenue from the sale of own and commissioned goods, due to the materiality of the amount and the significant volume of transactions, the audit of such revenue is time-consuming and is the key audit matter.	We obtained understanding of the business process and internal control systems over the sale of own and commissioned goods and performed the following tests: - Reviewing the classification of revenues and further testing them in terms of those received in cash, received as direct payments to the Company's bank accounts and acquiring operations; - Understanding and evaluating the effectiveness of the Company's control procedures in the area of such revenues recognition; - Reconciling, on a sampled basis, the amount of cash and acquiring revenue received in the accounting records to the corresponding cash and acquiring reports; - Reconciliation, on a sampled basis, of the amount of revenue in the accounting records with the information in specialized systems for accounting for the respective revenue, including cash and acquiring transactions; - Reconciliation, on a sampled basis, of the amount of revenue received as direct payments to the Company's bank accounts with external confirmations from counterparties; - Reconciliation, on a sampled basis, of revenues from sales of commissioned goods with reports of commission agents; - Reconciliation, on a sampled basis, of the amount of accounts payable due to commission agents as of 31 December 2022 and 2021 with external confirmations; - Reconciliation of the results of the annual inventory of goods with accounting data, including stocks on off-balance sheet accounts.
Revenue from sales of goods, works and services UAH 8 902 869 thousand *Refer to Note 20*	
This key audit matter relates to the revenue from sales of goods, works and services, except for sales of own goods and commissioned goods amounting to UAH 849 417 thousand and revenues from international postal exchange amounting	We analyzed the accounting policy in respect to the recognition of revenue from rendering of main types of services and obtained an understanding of business processes, internal control systems and inherent document-flow.

Key audit matter	How our audit addressed the key audit matter
to UAH 571 133 thousand, as described above as key audit matters. Recognition of revenue is a complicated process, considering significant volume of transactions, number of different sources of revenue and electronic systems to account them. The portion of revenue that is accrued by the Company from individuals involves numerous transactions of small amounts paid in cash. Other part of revenue mainly relates to transactions with legal entities which get settled via direct payments to the bank accounts ("non-cash revenue") and are legally accounted for on monthly basis, which is confirmed by relevant statements of reconciliations with counterparties. Considering the overall materiality of revenues for the Company, the design of the appropriate audit strategy over revenue, including split of revenues between cash portion and revenue settled through direct payments to the bank accounts, is the key audit matter.	In regards to recognition of revenue our procedures included the following: - Allocation of revenue for testing to revenue settled in cash, revenue settled through direct payments to the bank accounts, and acquiring transactions. - Reconciliation of the amount of income from services rendered recognized in the accounting records with information from specialized systems for accounting for the corresponding income, including cash, acquiring and non-cash payments. - Tracing on a sampling basis of accounting entries relating to cash revenues with relevant cash reports. - Tests of control and substantive procedures in respect of cash revenues and revenues from acquiring transactions. - Substantive procedures in respect of revenues settled through direct payments to the bank accounts. - We tested calculation of balances of deferred revenue stemming from unused postage stamps as at the reporting date, including its classification between cash and non-cash portion and analysis of average usage term of postal stamps based on the survey results delivered by an external expert. - Testing the calculation of deferred revenue for the delivery of parcels, small packages and cash payments for compliance with the volume of accepted, but not completed, services as at the reporting date.

Other Information

Management is responsible for the other information. The other information comprises the management report prepared based on the requirements established by Law of Ukraine "On accounting and financial reporting in Ukraine", and the Annual Information of the Issuer of Securities for 2022 (which includes as a part of the management report the report on corporate governance) prepared based on the requirements established by Law of Ukraine "On securities and stock market", but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above if it becomes available 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 the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We concluded that information, presented in management report and Annual Information of the Issuer of Securities for 2022, is materially misstated with respect to matter specified in paragraph (i) of the Basis for Qualified Opinion section of our report. Also we were unable to receive appropriate and sufficient audit evidence with respect to matters specified in paragraphs (ii) and (iii) of the Basis for Qualified Opinion section of our report. Therefore, we were not able to determine, whether there is a material misstatement of this information in connection with such matters.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and comply with the requirements for the preparation of financial statements established by Law of Ukraine

"On accounting and financial statements in Ukraine", and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance 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 is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal Requirements

Other information required by Article 14 of Law of Ukraine "On the audit of financial statements and audit activity"

In accordance with requirements of p.5 of paragraph 3 of Article 14 of Law of Ukraine "On the audit of financial statements and audit activity" № 2258-VIII, we report the following based on the work we have performed:

- We concluded that information presented in the management report that was prepared in accordance with requirements of Law of Ukraine "On accounting and financial reporting in Ukraine" and other applicable laws and regulations, is consistent with the financial statements;
- If, based on the work we have performed, we conclude that there is a material misstatement of the management report, we are required to report that fact. We concluded that information, presented in management report and Annual Information of the Issuer of Securities for 2022, is materially misstated with respect to matter specified in paragraph (i) of the Basis for Qualified Opinion section of our report. Also we were unable to receive appropriate and sufficient audit evidence with respect to matters specified in paragraphs (ii) and (iii) of the Basis for Qualified Opinion section of our report. Therefore, we were not able to determine, whether there is a material misstatement of this information in connection with such matters.

Other information presented in the independent auditor's report in accordance with paragraph 4 of Article 14 of Law of Ukraine "On the audit of financial statements and audit activity" № 2258-VIII («Law № 2258-VIII»):

Appointment of the auditor and period of engagement

We have been appointed as auditor for the first time by the decision of Supervisory Board on 16 November 2020 to perform a statutory audit of the financial statements of the Company for 2020 – 2022 years. The total period of the uninterrupted engagement for performing the statutory audit of the financial statements of the Company is 3 years.

Provision of non-audit services and independence

We confirm that to the best of our knowledge and belief we have not provided any prohibited non-audit services to the Company or to entities controlled by the Company referred to in Article 6 paragraph 4 of Law of Ukraine "On the audit of financial statements and audit activity". We, including our partner in charge, remain independent of the Company in conducting the audit.

In addition, there are no other services, which were provided by us to the Company or its controlled entities except for the statutory audit and agreed-upon procedures that have not been disclosed in the financial statements.

Consistency with an additional report for the audit committee

We confirm that our audit opinion on the financial statements expressed in this independent auditor's report is consistent with the additional report to the Audit Committee or its equivalent dated on 21 April 2023.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

We develop and perform audit procedures in accordance with our responsibilities set forth above in the *Auditor's Responsibilities for the Audit of the Financial Statements* section, in response to assessed risks of material misstatement due to fraud and to identify non-compliance with laws and regulations that may have a material impact on the financial statements. However, the primary responsibility for preventing and detecting fraud and compliance with laws and regulations lies with those charged with governance and the Company's management.

The extent to which our procedures are capable of detecting violations, including fraud, depends on the difficulties faced by auditors in detecting significant misstatements in the financial statements due to fraud, the effectiveness of the Company's controls, and the nature, timing and extent of further audit procedures. A violation due to fraud has a higher risk of not detecting significant misstatement than the risk of failing to detect it due to error, as fraud can involve complex and carefully designed schemes to conceal it. The auditor's ability to detect fraud depends on factors such as the violator's experience, frequency and extent of manipulation, the degree of conspiracy, the relative size of the individual amounts being manipulated, and the position of the persons involved.

Our procedures for identifying and assessing potential risks associated with violations included, inter alia:

- gaining an understanding of the laws and regulations that apply to the Company and constitute the regulatory framework of its activities;

- identification of laws and regulations that directly affect the financial statements or that had a fundamental impact on the Company's activities;

- an assessment of the circumstances under which and at what stage the Company's financial statements may be vulnerable to material misstatement due to fraud, including the manner in which fraud was committed;

- review of information provided by management, those charged with governance and in-house lawyers on existing and potential lawsuits and claims;

- perform analytical procedures to identify any unusual or unexpected relationships that may indicate the risk of material misstatement due to fraud;

- assessment of the operational effectiveness of controls, including IT controls, designed to prevent and detect fraud;

- review of internal reports of the Security Department and Internal Audit Services of the Company for the reporting period;

- testing the compliance of entries reflected in the general ledger and other adjustments; assessment of whether judgments and decisions made by management in determining accounting estimates indicate bias; and assessing the feasibility of significant transactions that are unusual or out of the ordinary course of business.

As a result of our risk identification and assessment procedures, we have identified the accounting of revenues from sales of goods, works and services and revenues and expenses related to international postal exchange as key audit matters. The *Key audit matters* section of our report explains these matters in more detail, as well as describes our specific procedures in response to the assessed risks.

We also reported relevant identified laws and regulations, potential fraud risks to all members of the audit engagement team, including internal experts, and remained alert throughout the audit for any signs of fraud or non-compliance with laws and regulations.

Other legal and regulatory requirements

In accordance with the Resolution №555 "On approval of information requirements related to audit or review of financial statements of capital market participants and organized commodity markets, supervision which is carried out by the National Securities and Stock Market Commission", approved by the National Securities and Stock Market Commission on 22 July 2021, we report the following:

- The information on the ownership structure of the Company and the ultimate beneficial owner, which is given in Note 1 to the financial statements, in our opinion, corresponds to the information on the ultimate beneficial owners and the ownership structure of the Company disclosed in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public formations.
- As at 31 December 2022, the Company had no parent/subsidiary companies.
- The company is not a controller/participant of a non-banking financial group.
- The company is a public interest entity in accordance with the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" No. 996-XIV.
- The Company is not subject to the prudential indicators established by the National Commission On Securities And Stock Market for professional participants of capital markets and organized commodity markets in accordance with the "Regulations on prudential standards of professional activity on the stock market and requirements for the risk management system" approved by the National Commission On Securities And Stock Market decision No. 1597 dated 1 October 2015.
- "BAKER TILLY UKRAINE" LLP (ERDPOU code: 30373906. Website of the audit firm: www.bakertilly.ua) conducted audit of the financial statements of the Company in accordance with the contract No. 201120-01/143Pi dated 20 November 2020 in the period from 15 October to the date of this report.
- The results of the audit of the audit commission are not given, as the Company does not have an audit commission.

Report on the information provided in the Corporate Governance Report

In the light of the knowledge and understanding of the Company and its operations obtained in the course of the audit, in all material aspects:

- The information contained in the corporate governance report, which is included to the Annual Information of the Issuer of Securities for the year 2022 in accordance with the requirements of Law of Ukraine «On Securities and the Stock Market», art. 127, para. 3, cl. 1-4, was prepared in accordance with the requirements of Law of Ukraine «On Securities and the Stock Market» and is consistent with the financial statements;
- In our opinion, the corporate governance report, which is included to the Annual Information of the Issuer of Securities for the year 2022, contains all information required by Law of Ukraine «On Securities and the Stock Market», art. 127, para. 3, cl. 5-9.

The partner in charge

The partner in charge of the audit resulting in this independent auditor's report is Yulia Gumenyuk.

Partner

"BAKER TILLY UKRAINE" LLP

Registration number in the Register of auditors and audit firms: No.100794.

Yulia Gumenyuk

24 April 2023

Kyiv, Ukraine

Basic information about the audit firm

Full name: BAKER TILLY UKRAINE Limited Liability Partnership
Location: 3, Hrekova Street, apt. 9, Kyiv, 04112
Actual address: 28, Fizkultury Street, Kyiv, 03150.
Registration number in the Register of auditors and audit firms: No. 2091.

All amounts in thousands of Ukrainian Hryvnia

Enterprise: **JSC "Ukrposhta"**
Territory: **Ukraine, Kyiv, Shevchenkivskyi district**
Organisational and legal form of economic activity: **State Joint-Stock Company**
Type of economic activity: **National postal services**
Average number of employees: **53,432**
Address, telephone: **22 Khreschatyk Str., Kyiv**
Units of measurement: thousands of Hryvnias, no decimal point
Prepared (mark "v" in the appropriate cell):

in accordance with National Regulations (Standards) of Accounting	
in accordance with International Financial Reporting Standards	v

Balance Sheet (Statement of Financial Position)

Form No. 1 Code under DKUD 1801001

Asset	Note	Line code	31 December 2021	31 December 2022
I. Non-current assets				
Intangible assets	9	1000	55,518	115,895
historical cost		1001	150,078	143,589
amortisation		1002	(94,560)	(27,694)
Capital investments in progress	9	1005	320,864	295,454
Property, plant and equipment	9	1010	3,830,957	3,870,901
historical cost		1011	6,160,904	6,847,341
depreciation		1012	(2,329,947)	(2,976,440)
Investment property	9	1015	100,693	68,961
historical cost		1016	107,386	79,104
depreciation		1017	(6,693)	(10,143)
Other financial investments		1035	19,078	12,579
Long-term accounts receivable		1040	196	180
Deferred tax assets		1045	-	87,652
Total Section I		**1095**	**4,327,306**	**4,451,622**
II. Current assets				
Inventory	10	1100	293,899	564,624
production stock		1101	231,750	348,417
work in progress		1102	11	-
finished goods		1103	-	-
goods for resale		1104	62,138	216,207
Accounts receivable for goods, works and services	11	1125	401,152	325,063
historical cost		1125.1	459,406	399,892
impairment provision		1125.2	(58,254)	(74,829)
Accounts receivable on settlements: for advances issued	11	1130	35,830	74,177
with the budget	11	1135	8,942	9,193
including corporate profit tax prepaid		1136	-	20
on accrued income	11	1140	8,686	19,958
Other current accounts receivable	11	1155	155,828	114,114
historical cost		1155.1	179,138	146,066
impairment provision		1155.2	(23,310)	(31,952)
Current financial investments	12	1160	1,509,233	585,098
Cash and cash equivalents	12	1165	3,893,395	3,132,038
Cash on hand		1166	119,329	339,238
Current accounts		1167	3,774,066	2,792,800
Other current assets		1190	57,720	68,977
Total Section II		**1195**	**6,364,685**	**4,893,242**
III. Non-current assets held for sale and disposal groups	9	**1200**	**75,643**	**73,819**
BALANCE		**1300**	**10,767,634**	**9,418,683**

Notes on pages 7 to 46 form an integral part of these financial statements.

All amounts in thousands of Ukrainian Hryvnia

Balance Sheet (Statement of Financial Position) (continued)

		Form No. 1	Code under DKUD	1801001
Liabilities	**Note**	**Line code**	**31 December 2021**	**31 December 2022**
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	1,413,330	155,241
Total Section I		**1495**	**2,677,889**	**1,419,800**
II. Long-term liabilities and provisions				
Deferred tax liabilities	30	1500	189,105	-
Long-term bank borrowings	15	1510	612,878	863,115
Other long-term liabilities	15	1515	318,515	266,211
Total Section II		**1595**	**1,120,498**	**1,129,326**
III. Current liabilities and provisions				
Short-term bank borrowings	15	1600	70,011	3,381
Current accounts payable on settlements: for long-term liabilities	15	1610	274,500	431,583
for goods, works, services	16	1615	1,733,721	2,778,229
with the budget		1620	137,553	72,700
including liability on income tax		1621	22,028	-
for insurance		1625	84,806	55,209
on payroll		1630	250,279	202,725
Current accounts payable on advances received		1635	191,403	213,236
Current accounts payable on settlements with shareholder	14	1640	55,075	-
Accruals and other provisions	17	1660	614,309	619,143
Deferred revenue	18	1665	499,055	319,253
Other current liabilities	19	1690	3,058,535	2,174,098
Total Section III		**1695**	**6,969,247**	**6,869,557**
BALANCE		**1900**	**10,767,634**	**9,418,683**

Approved for issue and signed on 24 April 2023.

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

АКЦІОНЕРНЕ ТОВАРИСТВО «УКРПОШТА»
УКРПОШТА
ГОЛОВНА ПОШТА КРАЇНИ
ІДЕНТИФІКАЦІЙНИЙ КОД 21560045

Notes on pages 7 to 46 form an integral part of these financial statements.

All amounts in thousands of Ukrainian Hryvnia

Enterprise: JSC "Ukrposhta"

Statement of Financial Results (Statement of Comprehensive Income)

for 2022

Form No. 2 Code under DKUD 1801003

I. FINANCIAL RESULTS

Item	Note	Line code	For the reporting period - 2022	For the reporting period - 2021
1		2	3	4
Net revenue from sales of goods, works and services	20	2000	10,323,419	11,181,868
Cost of sales of goods, works and services	21	2050	(9,926,858)	(9,536,425)
Gross:				
Profit		2090	**396,561**	**1,645,443**
Loss		2095	-	-
Other operating income	27	2120	179,762	309,471
Administrative expenses	23	2130	(1,148,387)	(1,324,050)
Selling expenses	22	2150	(207,900)	(259,349)
Other operating expenses	24	2180	(411,903)	(170,034)
Financial result from operating activities:				
Profit		2190	-	**201,481**
Loss		2195	**(1,191,867)**	-
Other financial income	25	2220	140,419	104,904
Other income	28	2240	126,412	91,705
Financial expenses	26	2250	(115,054)	(114,569)
Other expenses	29	2270	(493,072)	(45,575)
Financial result before taxation:				
Profit		2290	-	**237,946**
Loss		2295	**(1,533,162)**	-
Income tax (expenses)/credit	30	2300	275,073	(54,364)
Net financial result:				
Profit		2350	-	**183,582**
Loss		2355	**(1,258,089)**	-

II. COMPREHENSIVE INCOME

Item	Note	Line code	For the reporting period - 2022	For the reporting period - 2021
1		2	3	4
Revaluation of non-current assets		2400	-	-
Other comprehensive income		2445	-	-
Other comprehensive income before tax		**2450**	-	-
Income tax arising on other comprehensive income		2455	-	-
Other comprehensive income after tax		**2460**	-	-
Total comprehensive income (total of lines 2350, 2355 and 2460)		**2465**	**(1,258,089)**	**183,582**

Notes on pages 7 to 46 form an integral part of these financial statements.

All amounts in thousands of Ukrainian Hryvnia

Statement of Financial Results (Statement of Comprehensive Income)
for 2022
(continued)

Form No. 2

III. ELEMENTS OF OPERATING EXPENSES

Item	Note	Line code	For the reporting period - 2022	For the reporting period - 2021
1		2	3	4
Material expenses		2500	942,235	645,645
Payroll		2505	5,469,472	6,194,389
Social payments		2510	1,275,354	1,461,785
Depreciation/amortisation		2515	582,986	454,092
Other operating expenses		2520	3,074,363	2,437,060
Cost of goods sold		2530	350,638	96,887
Total		**2550**	**11,695,048**	**11,289,858**

IV. CALCULATION OF SHARES PROFITABILITY

Item	Note	Line code	For the reporting period - 2022	For the reporting period - 2021
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 2023.

АКЦІОНЕРНЕ ТОВАРИСТВО «УКРПОШТА»
УКРПОШТА
ГОЛОВНА ПОШТА КРАЇНИ
ІДЕНТИФІКАЦІЙНИЙ КОД 21560045

I. Smelyansky
General Director

M. Paliy
Deputy General Director of Finance

K. Klymenko
Chief Accountant

Notes on pages 7 to 46 form an integral part of these financial statements.

All amounts in thousands of Ukrainian Hryvnia

Enterprise: JSC "Ukrposhta"

Statement of Cash Flows (indirect method)
for 2022

Form No. 3 Code under DKUD 1801004

Item	Note	Line code	For the reporting period - 2022	For the reporting period - 2021
1		2	3	4
I. Cash flows from operating activities				
Profit/(loss) before tax		3500	(1,533,162)	237,946
Adjustments for: Depreciation, amortisation and impairment of non-current assets		3505	799,895	465,782
Increase (decrease) in provisions		3510	55,753	148,557
Unrealized foreign exchange loss/(gain)		3515	401,316	(9,469)
Loss/(gain) from non-operating activities and other non-cash transactions		3520	(65,383)	(92,107)
Financial expenses	26	3540	115,054	114,569
Financial income	25	3524	(140,419)	(104,904)
Decrease (increase) of current assets		3550	(228,980)	(294,822)
Increase (decrease) of current liabilities		3560	39,899	141,920
Increase (decrease) of deferred income		3566	(179,802)	85,392
Cash flows from operating activities		**3570**	**(735,829)**	**692,864**
Income tax paid		3580	(23,748)	(31,616)
Interest paid		3585	(108,993)	(141,155)
Net cash flows from operating activities		**3195**	**(868,570)**	**520,093**
II. Cash flows from investing activities				
Refund of short-term deposits		3200	924,136	-
Proceeds from sale of non-current assets		3205	94,714	169,638
Interest and dividends received		3215	126,494	105,061
Placement of short-term deposits	12	3255	-	(1,314,138)
Acquisition of property, plant and equipment and intangible assets		3260	(662,107)	(977,477)
Net cash flows from investment activities		**3295**	**483,237**	**(2,016,916)**
III. Cash flows from financing activities				
Proceeds from borrowings		3305	192,611	926,530
Dividends paid		3355	(55,075)	(82,462)
Repayment of lease liabilities		3365	(225,132)	(226,701)
Repayment of borrowings		3350	(141,948)	(472,479)
Net cash flows from financing activities		**3395**	**(229,544)**	**144,888**
Net cash flow for the reporting period		3400	(614,877)	(1,351,935)
Cash and cash equivalents at the beginning of the year		3405	3,893,395	5,246,112
Impact of change in foreign exchange rates		3410	(146,480)	(782)
Cash and cash equivalents at the end of the year	**12**	**3415**	**3,132,038**	**3,893,395**

Approved for issue and signed on 24 April 2023.

І. Smelyansky
General Director

M. Paliy
Deputy General Director of Finance

K. Klymenko
Chief Accountant

АКЦІОНЕРНЕ ТОВАРИСТВО «УКРПОШТА»
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Notes on pages 7 to 46 form an integral part of these financial statements.

All amounts in thousands of Ukrainian Hryvnia

JSC "Ukrposhta"

Statement of Changes in Equity

for 2022

Form No. 4 Code under DKUD 1801005

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)**	**1,413,330**	**2,677,889**
Error correction	4010	-	-	-	-
Adjusted balance at the beginning of the year	4095	**6,518,597**	**(5,254,038)**	**1,413,330**	**2,677,889**
Net loss for the reporting period	4100	-	-	(1,258,089)	**(1,258,089)**
Changes in equity, total	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**

Statement of Changes in Equity

for 2021

Form No. 4 Code under DKUD 1801005

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)**	**1,321,490**	**2,586,049**
Error correction	4010	-	-	(3,683)	**(3,683)**
Adjusted balance at the beginning of the year		**6,518,597**	**(5,254,038)**	**1,317,807**	**2,582,366**
Net profit for the reporting period (recalculated)	4100	-	-	183,582	**183,582**
Current accounts payable on settlements with shareholder	4215	-	-	(88,059)	(88,059)
Changes in equity, total	4295	-	-	**95,523**	**95,523**
Balance at the end of the year	4300	**6,518,597**	**(5,254,038)**	**1,413,330**	**2,677,889**

Approved for issue and signed on 24 April 2023.

І. Smelyansky
General Director

M. Paliy
Deputy General Director of Finance

K. Klymenko
Chief Accountant

АКЦІОНЕРНЕ ТОВАРИСТВО «УКРПОШТА»
УКРПОШТА
ідентифікаційний код 21560045

Notes on pages 7 to 46 form an integral part of these financial statements.

All amounts in tables are in thousands of Ukrainian Hryvnia

1 JSC "Ukrposhta"

Stock Company Ukrposhta (hereinafter JSC "Ukrposhta" or the "Company") is an entity with its 100% shares held by the State of Ukraine, which is managed by the Ministry of Infrastructure 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 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 of Community, Territory and Infrastructure Development of Ukraine. Management of state corporate rights in relation to the Company is carried out by the Ministry of Community, Territory and Infrastructure Development of Ukraine.

The Supervisory Board of the Company is a collegial body that protects the rights of the shareholder, as well as supervises and regulates the activities of the Company. The members of the Supervisory Board, consisting of 7 people, including 5 independent members, are elected by the general meeting for a term of up to 3 years.

The following is the composition of the Supervisory Board as of the date of approval of these financial statements:

Position	Full name
Chairman of the Supervisory Board	Mr. Benoit Pleska
Deputy Chairman of the Supervisory Board	Mr. Jakub Karnowski
Member of the Supervisory Board	Mr. Tommy Jensen
Member of the Supervisory Board	Mr. Joona Saluveer
Member of the Supervisory Board	Ms. Oksana Volchko

The General Director manages the current activities of the Company.

The Company is a member of the Universal Postal Union starting from 1947 and conducts postal operations with more than 100 national postal operators of other countries.

The Company has 7,172 postal offices in Ukraine as of 31 December 2022 (as of 31 December 2021 – 9,020), the average number of employees for 2022 is 53,432 employees (in 2021 – 61,779).

The Company’s registered address and the principal place of business is: 22 Khreschatyk Str., Kyiv, Ukraine, 01001.

2 Operating environment

The Company operates in Ukraine. After a minor recovery in 2021 from the global economic recession caused by the COVID-19 pandemic, from 24 February 2022, Ukraine's economy has been suffering damage as a result of russia's full-scale war against Ukraine, which continues, exposing atypical risks and creating challenges for businesses that are located and operate there.

The invasion was preceded by months of accumulation of russian troops on the borders of Ukraine, which russia tried to disguise as exercises, as well as the escalation of russian armed aggression against Ukraine, which began in the spring of 2014 in parts of the Luhansk and Donetsk regions, along with the temporary occupation of the Autonomous Republic of Crimea and the city of Sevastopol by the russian federation.

On 24 February 2022 Ukraine imposed martial law and announced a general mobilization. After the defeat of russian troops in northern Ukraine in April 2022, the Ukrainian Armed Forces forced russia to withdraw its troops from the Kyiv, Chernihiv and Sumy regions. Furthermore, under significant pressure from Ukrainian troops, the russians left the Right-Bank part of the Kherson region in November 2022. As winter approaches, russia has shifted its focus to terrorist bombing of critical civilian infrastructure. As a result, Ukraine faced a shortage of electricity. The Armed Forces of Ukraine are further actively resisting the attacks of the russian federation.

However, the consequences of military aggression now are large-scale destruction of civilian infrastructure, including manufacturing, decrease and sometimes stopping of operations of enterprises, breaking logistics ties, large-scale forced displacement of the population, etc.

The decrease in Ukraine's GDP by the end of 2022 is estimated at 30.4% (±2%), which is better indicator than expected according to previous forecasts. In 2022, the Ukrainian Hryvnia significantly devalued against major foreign currencies. Thus, as of 31 December 2022, the official exchange rate of the National Bank of Ukraine to the US dollar was UAH 36.5686, and to the euro - UAH 38.951 (as of 31 December 2021: 27.2782 and 30.9226, respectively).

Russia's military invasion to Ukraine also affected Ukraine's solvency assessments by international rating agencies. In 2022, Standard & Poor's credit rating of Ukraine is CCC+ with a stable forecast. Moody's last time set Ukraine's credit rating at Caa3 with a negative forecast (upgraded to Ca with a stable forecast in February 2023). Fitch last reported Ukraine's credit rating at CC.

The management continues to make efforts to identify and mitigate the impact on the Company, but there are factors beyond its knowledge or control, such as the duration and severity of military operations, the level of international support for Ukraine, and further government 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, excluding 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 the periods presented unless otherwise stated (see Note 5).

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

It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas, involving a high degree of judgement, complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note 4.

These financial statements are presented in the national currency of Ukraine, Ukrainian Hryvnia ("UAH") and all values are rounded to the nearest thousand.

Going concern. As of 31 December 2022, the Company's current liabilities exceeded its current assets by UAH 1,976,315 thousand (as of 31 December 2021: by UAH 604,562 thousand).

On 24 February 2022, the russian federation began a full-scale military invasion of Ukraine. This was followed by the Decree of the President of Ukraine approved by the Verkhovna Rada of Ukraine immediately imposing martial law and introducing the relevant temporary restrictions affecting the economic environment. In view of the foregoing, the Company has assessed the going concern assumption based on which the financial statements have been prepared. The Company's activities have been significantly affected by the war; there is currently considerable uncertainty about the development of the russian federation's military invasion of Ukraine, its duration and, accordingly, the impact on the Company's activities, staff, liquidity and preservation of assets.

The main specific risk factors include:

- safety of property, plant and equipment, which depends on the developments in war events. The losses include both physical destruction, damage to property, and write-offs due to loss of access to or control of property;
- decreased volumes of operations due to reduced postal network coverage, operational failures, including due to hacker attacks, and decreased demand for certain types of services;
- possibility to raise borrowings to finance the Company's operating activities;
- other factors.

The hostilities caused a shock reduction in the Company's operations, especially in the first month of the invasion. In February-April 2022, the Company experienced significant cash outflow at the operational level amid relatively stable labour costs at the beginning of the war and a significant increase in transport costs due to logistical delays and rising fuel prices.

Due to military actions, the Company temporarily lost control over approximately 12% of its postal offices, mostly in the occupied areas of Luhansk, Donetsk, Kherson and Zaporizhzhia regions.

Moreover, in accordance with Government Resolution No. 305 dated 17 March 2022, the additional obligations were imposed on the Company regarding the free transportation of property of domestic companies, institutions and organisations as part of their evacuation from the combat area, as well as humanitarian delivery of food products.

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 2024, which shows that the Company has sufficient net cash inflows 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 financial statements, taking into account macro indicators of the adopted budget of Ukraine for 2023 and assumptions and measures that have been implemented or planned by management:

- 3.2% real GDP growth, 28% inflation rate, USD exchange rate at the end of 2023 – 45.8 Hryvnias per 1 US dollar, the average annual USD exchange rate is 42.2 Hryvnias per 1 US dollar;
- measures carried out to optimise staff and costs for the new reduced business volumes allowed to decrease the payroll by about 12%. For 2023, labour costs are planned taking into account the legally established minimum wage of UAH 6,700, and staff optimization is also provided after the implementation of a number of investment projects to improve the efficiency of business processes;
- the volume of letters processed by the Company decreased by 50% in 2022 compared to last year, with a planned gradual recovery and growth by 35% in 2023. The Company plans to further develop the sale of art stamps and related merchandise of the most relevant subjects through the own network and Internet platforms in 2023;
- parcel volumes in 2022 remained at the same level as last year. In 2023, it is planned to increase volumes by 30% compared to last year with a revision of the tariff from the middle of the year;
- pension payments in 2022 decreased by 20% compared to last year, which significantly exceeds the historical rate of outflow. At the same time, the Company was able to preserve the vast majority of its customer base during the war, as it did not stop its operations and worked in those parts of the country where banking institutions were often closed. The plans for 2023 take into account a reduction in the number of pensioners and recipients of social aid through the Ukrposhta network by 15% and indexation by an average of 10%;
- a drop in payments by about 30% compared to the previous year was caused by both migration of the population and the destruction of communal infrastructure and sometimes the introduction of payment holidays. For 2023, it is planned to maintain the volume of 2022 and increase the average income by 5%;
- increase in retail trade by more than 40% compared to the previous year, as the Company ensured a sufficient level of balances of goods at low prices, primarily essential goods. In 2023, it is planned to increase revenue from retail trade by 20% compared to 2022;
- the volume of international shipments (exports) decreased by 25% compared to last year, while revenues increased by 9% due to exchange rate factor. In 2023, it is planned to increase volumes

All amounts in tables are in thousands of Ukrainian Hryvnia

by 20% and revenues by 30%, taking into account changes in tariffs and expected further UAH devaluation;

- in 2022, the Company timely fulfilled its financial obligations and does not plan to restructure its debt in 2023. Repayment of the principal amounts is planned according to the schedule;
- taking measures to obtain more loyal conditions and terms of payments with foreign postal operators;
- the implementation of strategic investment projects, such as the "Rural post offices", full automation of the postal network or development of the logistics network, continues to be financed mainly by loans from international financial institutions;
- absence of intentions of creditors to demand early repayment.

Management continuously monitors the dynamics of actual performance indicators, considering the current change in circumstances, during 2022 the Company's operations and financial indicators do not differ significantly from the forecasts. According to the management, considering the probability of possible scenarios, cash flows from operating activities for the 12 months to the end of Q2 2024 are positive. Despite the current circumstances, the Company continues to meet its debt obligations to creditors.

Due to the uncertain impact of the future development of the military invasion, based on the aforementioned 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 pay its liabilities in the normal course of business.
However, based on the above steps taken by the Company, management concluded that it is appropriate to prepare the financial statements on a going concern basis.

Foreign currency translation. The functional currency of the Company is UAH, the currency of the primary economic environment in which the entity operates.

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

The principal rates of exchange used for translating foreign currency balances and transactions were as follows:

In Ukrainian Hryvnias	**31 December 2022**	**31 December 2021**
USD/UAH closing	36.57	27.28
USD/UAH average	32.34	27.29
SDR/UAH closing	48.71	38.19
SDR/UAH average	43.19	38.88

Foreign currency can be converted into Ukrainian Hryvnia and Ukrainian Hryvnia can be converted into foreign currency at a rate influenced by the National Bank of Ukraine. The exact rate that the Company may obtain is dependent on negotiations with its commercial banks and demand/supply balance on the interbank currency market during the period of conversion.

Special drawing right ("SDR") is the International Monetary Fund accounting unit used as the monetary unit of the Universal Postal Union of which the Company is a member.

Financial instruments – key measurement terms. The Company recognizes financial assets and liabilities when it becomes a party to the contractual relationship to a particular instrument. Financial assets and liabilities are represented by cash and cash equivalents, net trade and other receivables, current financial investments, bonds issued, loans, lease liabilities, trade and other accounts payable. Depending on their classification, financial instruments are carried at fair value or amortised cost as described below. These evaluation methods are described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is 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 on-going basis.

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

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

Accrued interest income and accrued interest expense, including the accrued coupon are not presented separately and are included in the carrying values of the related items in the statement of financial position as current or long-term liabilities subject to their maturities.

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

Financial instruments – initial recognition. Initial recognition of financial assets and liabilities is carried at their fair value, except for receivables from contracts with clients, which are initially recognized at nominal value in accordance with IFRS 15. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss. All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories. The company classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Company manages the assets in order to generate cash flows. The Company's objective is solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows").

Financial assets impairment – credit loss allowance for ECL. The Company measures ECL and recognises Net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Financial instruments measured at AC are presented in the statement of financial position net of the allowance for ECL.

The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter (“12 Months ECL”).

If the Company identifies a significant increase in credit risk (“SICR”) since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any (“Lifetime ECL”).

If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired (“POCI Assets”), the ECL is always measured as a Lifetime ECL.

The Company applies a simplified approach to measuring credit loss allowance for ECL. The Company does not track changes of credit risk, instead the provision is calculated for the entire term of the debt and is revalued at each reporting date. The Company uses a provision matrix based on historical credit losses adjusted for the effect of future changes in the economic environment that will affect debtors.

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

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a Derecognition event.

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

Financial liabilities – derecognition. A financial liability is derecognised when the obligation under the liability 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 statement of financial results.

Presentation of financial instruments by measurement category. As of 31 December 2022 and 31 December 2021, all of the Company’s financial assets and liabilities except for other financial investments were carried at AC. 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 is estimated using these quotations in active markets (Level 1 of the fair value hierarchy).

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

Construction in progress represents the cost of property, plant and equipment which have not yet been completed, less any accumulated impairment. This includes cost of construction works, cost of plant and equipment and other direct costs. Costs of minor repairs and maintenance are expensed when incurred.

Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset’s fair value less costs to sell and its value in use. Where there is an impairment 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 are determined by comparing proceeds with carrying amount and are recognised in profit or loss for the year.

Depreciation. Depreciation on 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, years
Buildings and structures	10-50
Plant and equipment	5-35
Vehicles	5-10
Office furniture and equipment	2-5

Items of property, plant and equipment with an acquisition cost less than UAH 20 thousand are recognized by the Company as low-value non-current tangible assets with 100% depreciation accrual during the first month of usage.

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 was already of the age and in the condition expected at the end of its useful life.

Intangible assets. Acquired intangible assets with finite useful lives are stated at cost less accumulated amortization and accumulated impairment losses.

The Company recognizes intangible assets that will be used for more than a year and whose cost is greater than or equal to UAH 1,000 at the date of posting. The value criterion for their recognition as intangible assets is not applied to internally generated assets and registration of land use rights.

The Company accounts for intangible assets at cost. Subsequent intangible assets expenditures after their acquisition or creation is recognized as an expense in the period in which they are incurred, unless it is probable that the cost will allow the asset to generate future economic benefits greater than expected and the cost can be reliably measured.

An intangible asset with a fixed useful life is subject to depreciation for the period specified in the contract, patent or license. The depreciation period of an intangible asset with a fixed useful life is reviewed at the end of each financial year. The average life of intangible assets is 4 years. Assets with indefinite useful lives are not depreciated, but are assessed annually for impairment and possible transition to depreciable assets.

Depreciation is calculated on a straight-line basis over the estimated useful life from the date the asset is ready for use. Depreciation expense is recognized 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. Key judgements for classification of non-current assets as investment property are disclosed in Note 4.

The investment property of the Company is formed at the expense of the existing real estate objects due to the change of their purpose and their transfer from the category of real estate occupied by the Company to the category of investment real estate. If a property consists of two parts: one for rental income and another for the provision of postal and related services, these parts are accounted for separately if they can be sold or leased separately on a finance lease basis. Otherwise, the property is regarded as investment property only if a small portion of that property is held for the Company's operations.

The cost of investment property is the actual cost of cash and cash equivalents, or the fair value of another form of compensation at the time of its acquisition.

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

The useful life of investment property is set as for objects of non-current assets “plant and equipment”.

Earned rental income is recorded in profit or loss for the year within other operating income. Gains or losses on disposal of investment property are calculated as proceeds less the carrying amount.

Subsequent expenditure is capitalised to the asset’s carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Right-of-use assets. As of 1 January 2022, the Company changed its accounting estimates and judgments regarding the recognition of assets in the form of rights of use and lease obligations at the start date of the lease, resulting in adjustments made in 2022 to reflect changes in accounting.

The Company leases offices and vehicles. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets arising from a lease are initially measured on a present value basis.

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

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- costs to restore the asset to the conditions required by lease agreements.

Right-of-use assets are depreciated over the shorter of the asset's useful life or the lease term, whichever comes first. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the right-of-use assets is calculated using the straight-line method 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 do so, an asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets (or disposal groups), and its sale must be highly probable.

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

An extension of the disposal period does not preclude the classification of an asset (or disposal group) held for sale if the delay was caused by events or circumstances beyond the Company's control and if there is sufficient evidence that the Company does not plan to continue to use the asset.

Non-current assets held for sale are valued by the Company at the lower of its carrying amount and fair value less costs to sell.

Income taxes. 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. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards 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 taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which 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 only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Inventories. Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure.

In 2021, the Company changed the inventories cost formula in connection with the implementation of new accounting system (ERP). Prior to the transition, the Company applied the identification method to measure the cost of inventories upon disposal. The specific identification cost means that specific costs are related to identified inventory items, and for homogeneous inventories, those purchased earlier than others are written down first. For retail products, the retail price method was applied. After the transition to ERP system, all the inventories, including retail products, are assessed upon disposal under the FIFO method, i.e. for homogeneous inventories, those purchased earlier than others are written down first. It is expected that the use of a single write-off method for all types of inventories will provide more reliable and relevant information to users.

Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Company estimates the provision for receivables that meet the criteria for a financial asset under IFRS 9, Financial Instruments, on a case-by-case basis in the following categories: “Current (not past due)”, “1 to 30 days overdue”, “31 to 60 days overdue”, “61 to 90 days overdue”, “More than 90 days overdue”. Past due means receivables with the expired repayment term. The provision amount is estimated by applying ECL rates.

Impairment of accounts receivable is measured based on the ECL analysis on a collective basis.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit or loss within other operating expenses. When a trade receivable is uncollectible, it is written off against other operating expenses. Accounts receivable are not written off against the allowance account for receivables. As of the date of the financial statements, the provision is estimated subject to receivables written off previously. Subsequent recoveries of amounts previously written off are credited against of other operating income in the profit or loss.

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

Cash and cash equivalents. Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Restricted balances are 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 for balances of cash and cash equivalents on bank accounts based on the low probability of default during the validity period of contractual terms of less than 3 months. The probability of default was established on the basis of external credit ratings of corresponding banks and the publicly-available data on default from rating agencies. No ECL allowance was recognised in these financial statements as management determined the effect as immaterial.

Advances issued and prepayments. Advances and prepayments are carried at cost less provision for impairment. An advance and prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition.

Advances and prepayments to acquire assets are transferred 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 advances and prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to an advance and a prepayment will not be received, the carrying value of the advance and prepayment is written down 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 balances as it is expected that such balances will be settled by delivery of the underlying product or service.

Value added tax. The sales of goods and services in Ukraine are normally subject to value-added tax (‘VAT’) at the rate of 20%. A number of the Company's transactions are exempt or not subject to VAT (such as the sale of postage stamps, delivery of pensions, acceptance of payments and money transfers).

The VAT liabilities arise at the date of supply of goods/services or receipt of payments, whichever is earlier. Input VAT is recognised when the VAT invoice is duly registered in the Unified Register of tax invoices. Input VAT incurred by the Company upon purchase of goods and services that can be directly allocated to activities that are subject to VAT is fully recoverable, while input VAT directly related to activities that are exempt from VAT or not subject to VAT is non-recoverable and, thus, constitutes a cost. Input VAT incurred upon purchase of goods/services used in both types of transactions (i.e. which are subject to VAT and VAT-exempt or not subject to VAT) is recognised on a pro-rata basis (i.e. only the portion of VAT related to transactions which are subject to VAT is recovered).

The positive difference between VAT liabilities and input VAT is paid to the budget. VAT related to sales and purchases is recognised in the balance sheet on a net basis and disclosed as an asset or liability to the extent it has been recorded in VAT returns, otherwise it is presented gross. In other cases, VAT is shown expanded.

Share capital. Until 1 March 2017, the Company was registered in the form of state owned entity. It had registered capital but no shares issued. On 1 March 2017, the Company was registered as a Joint Stock Company and its shares have been registered with the regulator. From this date ordinary shares are classified as equity.

When the Company was a state-owned enterprise, the registered capital included a IAS 29 adjustment to account for the effect of inflation when Ukraine was a hyperinflationary economy.

As of the date of the establishment of JSC Ukrposhta, the effect of corporatisation was recorded separately. This equity item was calculated as a difference between the registered capital of JSC Ukrposhta and the previous carrying amount of 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.

Under Ukrainian legislation, the amount of dividends is limited to net profit of the reporting period or other distributable reserves but not more than retained earnings as per the stand alone financial statements prepared in accordance with IFRS. The Company has to make a decision in respect of dividend distribution by 30 April and to pay the dividend to the State budget by 30 June of the year in the following reporting year. The Cabinet of Ministers of Ukraine approves a percentage of net profit to be distributed each year with a separate resolution. If there is no such resolution available by 30 June, the Company is obliged to distribute 30% of its net profit to the State budget of Ukraine, as set by provisions of the Law of Ukraine “On Management of State Property Objects” 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 carried at amortised cost using the effective interest 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 method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Trade and other payables. Trade and other payables are accrued when the counterparty performs its obligations under the contract. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently carried at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any transaction costs and any discount or premium on settlement.

Advances received. Advances received relate to the amounts received in advance for goods, works or services in the normal course of business. These are carried at amounts originally received net of VAT balances as it is expected that such balances will be settled by delivery of the underlying product or service.

Revenue. Revenue is income arising in the course of the Company’s ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is recognised net of discounts, returns and value added taxes. Revenue primarily comprises the rendering of services (sales of goods) as follows:

1) Parcels and letters (including international);
2) Delivery of pensions and other social benefits;
3) Payments and money transfers;
4) Subscription and delivery of periodicals;
5) Sale of merchandise and other services.

Account revenue is derived from specific contracts and recognised when the delivery of an item is complete. Contracted services that have not yet been rendered at the balance sheet date are designated as deferred revenue. Revenue is deferred until the related services have been provided to the customer. The Company derecognises the contract liability and recognises revenue when it transfers services and therefore satisfies its performance obligations. The Company provides services under fixed-price contracts.

Revenue from direct sales of products or services is recognised when services are rendered, goods are delivered and the amount of revenue that will flow to the Company can be measured reliably. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. Where payments are received for a service to be provided over a specified length of time, payments received are recognised as deferred revenue and released to profit and loss over the period that the service is performed.

Revenue from sales of goods and services through its own online service, including through other marketplaces Prom, Rozetka, Kasta and international internet platforms eBay and Amazon (USA), is recognized after receiving a 100% prepayment.

Revenue derived from deliveries under the International Postal Convention is recognised when the delivery of the related items is complete.

Where merchandise is sold under the agency agreements, the commission income is recognised as a receivable at the time of sale and related gross cash receipts are recognised as a liability before the supplier.

Revenue relating to public, retail and business stamp and franking machine sales is recognised when the sale is made at the face value of the stamp, adjusted to reflect a value of stamp held but not used by the customer. Further details on this “deferred revenue” adjustment are provided in the “Critical Accounting Estimates and Judgements in Applying Policies” section below.

Where the Company’s role in a transaction is a principal, revenue is recognised on a gross basis. Where the Company’s role in a transaction is that of an agent, revenue is recognised on a net basis and represents the margin earned.

Recognition of expenses. Expenses are recognised on an accrual basis. Cost of goods sold and services rendered comprises payroll, depreciation, direct material expenses, transportation and directly attributable overheads.

The Company receives discounts from postal operators of other countries for the received delivery services of written correspondence, parcels and express delivery services "EMS" in the form of canceled invoices, the amount of such discounts depends from the provided volume of delivery services. Received invoices for cancellation of fees from postal operators are reflected in the cost of services, thereby reducing the debt owed to postal operators, and canceled invoices for receipt in cash are classified as other accounts receivable.

Financial income and expenses. Financial income and expenses comprise interest expense on borrowings, interest income on funds invested and foreign exchange gains and losses on deposits and borrowings. All interest and other costs incurred in connection with borrowings are expensed 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 a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as of the commencement date,
- amounts expected to be payable by the Company under residual value guarantees,

- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease extension and termination options provided for in a number of Company's lease agreements. These terms are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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

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

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

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 Unified contributions on social insurance in respect of its employees. The contributions are calculated as a percentage of current gross salary and are expensed as 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. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

In particular, receivables and payables of foreign postal operators are offset in the statement of financial position with respect to the operations where final settlements are made on a net basis.

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

4 Critical accounting estimates and judgements in applying policies

The preparation of financial statements necessarily requires management to make estimates and assumptions that can have a significant impact 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 complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

Deferred revenue. The Company recognises advance customer payments on its balance sheet, predominantly relating to the sale of stamps not used as of the balance sheet date, delivery of parcels and small packages not delivered to the destination point as of the balance sheet date and subscription of periodicals to be delivered after the year end.

A large portion of this balance is made up of stamps sold to the general public. The valuation of this deferred revenue is based on a number of different estimation and sampling methods using the external specialist resource as appropriate. For these sales, estimates of stamp volumes held on hand were made on the basis of an annual survey performed by an independent third-party where individuals are asked how much stamps they purchased annually and how much stamps they had on hand at the balance sheet date.

The value of stamps held by retail and business customers are more directly estimated through the analysis of actual sales volumes and responses provided by customers to the independent surveyor.

The results of the above procedures are reviewed by management in order to make a judgement of the carrying amount of the accrual. The total accrual is held within current liabilities as the vast majority of stamps and sorting and sending services credits is used within one year after the balance sheet date.

A portion of the deferred revenue balance is made up of revenue from delivery of parcels and small packages not delivered to the destination point as of the balance sheet date. The valuation of the deferred revenue is based on the analytical estimation in reliance on the actual data available to the Company for the type, number, weight, destination point, mailing date and applied tariff as well as the actual and expected time of delivery.

Lease extension and termination options. Extension and termination options are included in a number of leases of buildings across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The Company has the priority right to extension option.

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

Leases of buildings by the Company are divided into leases of private properties and leases of state-owned/municipal properties, which differ by judgements used to determine the lease term. Taking into account the exercisable extension option or high probability of signing new contracts for the lease of the same private properties, the Company applies to the leases of private properties the period of 8 years on the date of IFRS 16 adoption.

Leased state-owned and municipal properties are subject to the Law of Ukraine On leases of state-owned and municipal property effective since October 2019. According to the Law, initial leases and extensions are subject to a statutory auction.

Given this fact and uncertainty in the extension option, the Company defines the lease term as the contractual non-cancellable lease term. Leases of vehicles are made for fixed periods of 1.5 to 3 years and may be extended subject to agreement between the parties.

The Company has made an estimate of the number and value of leased properties, as well as the costs of such leases, and applies the following judgments regarding the recognition of right of use assets and lease liabilities at the date of the lease agreements. According to lease agreements, right of use assets and a lease liabilities are recognized if the following conditions are met simultaneously at the date of the lease agreements:

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

The Company applies the practical simplification for the lessee provided for in IAS 16, in relation to a short-term lease that does not exceed 12 months. That is, for operating leases that are valid for up to 12 months, regardless of the amount of lease payments for the month, the asset in the form of the right of use shall not be recognized, and lease payments are recognized as part of the cost of products (goods, works, services) sold in the period of actual provision of the relevant services.

Lease agreements are reviewed monthly for recognition as the value criteria of IAS 16 agreements and assets in the form of rights of use and lease obligations are recognized.

Classification of double-purpose items between property, plant and equipment, investment property and non-current assets held for sale and disposal groups. The Company maintains separate accounts of real estate properties that can be classified as property, plant and equipment or investment property. For double-purpose items (a portion held for own use and a portion held to earn rentals or for capital appreciation), the classification of a portion of such item as investment property is possible only when this portion can be sold or leased out under the finance lease contract separately from the other potion of the item. If no possibility exists, the Company classifies the entire item as investment property only if the portion of the item used for its own needs is less than 20 percent of the total area of the item.

The Company has assessed the quantitative and value indicators of real estate properties, as well as income from the lease of premises and applies the following judgements to the classification and transfer of real estate to investment property:

- Objects leased at 70% or more (in terms of usable area) are considered to be fully investment property (subject to the main criteria specified in the previous paragraph);
- Objects leased at less than 70% of the total usable area, but the total rental cash proceeds from which in total for the object are more than UAH 50 thousand per month, are classified as investment property (subject to the main criteria specified in the previous paragraph) in the part of the total usable area for rent, and as property, plant and equipment in the part of the total usable area used for own needs;
- Objects leased at less than 70% of the total usable area and total rental cash proceeds for which are less than UAH 50 thousand per month, the Company considers insignificant and remains as the property, plant and equipment.

Management of the Company transfers real estate properties from property, plant and equipment to investment property applying the cost model as its accounting policy (refer to Note 3). Management estimated the expected range of the fair value of investments property as of 31 December 2022 without involving independent appraisers and disclosed it in Note 9.

International postal exchange revenue and expenses estimates. In course of providing the international postal services the Company conducts transactions with postal service operators in other countries. The amount of international postal exchange revenue, expenses and related receivables and payables are recognised during the year based on estimates made by management on the basis of data on the total weight of cross-border shipments of correspondence, parcels and small packages, which is further agreed by postal operators, and tariffs approved by the Universal Postal Convention (UPC) and its circulars. If the shipments turnover between countries exceeds the predefined volume (50 tons in 2022 and 2021), separate tariffs are applied for different shipment formats, as well as an additional tariff for the number of shipments. The number of items, which is calculated based on the number of items per kilogram of correspondence, parcels and small packages, is also subject to agreement with postal operators of other countries. Due to significant time delays in reconciling data on shipments weight, total cross country turnover, number of shipments per one kilogram of correspondence, parcels and small packages and the applicable UPC tariffs (up to 6 months to reconcile the amount of shipments and up to a year to reconcile settlements in monetary terms), such estimates are subject to management judgement and could be subject to adjustment. Management has disclosed the amount of revenue and expenses with the main postal operators of other countries for which the reconciliation process was completed or partially completed at the date of issue of these financial statements in Notes 20 and 21.

Discounts provided by international postal operators for the delivery of written correspondence, parcels and small packages, international items of express delivery "EMS" related with the Company's support during the military aggression of the russian federation are reflected in the cost of services sold during the period of receipt of the cancelled invoice for payment of services. Due to significant delays in the provision of information from postal operators in other countries, management tries to estimate the amounts of these accounts as accurately as possible at the date of approval of financial statements and present the most verified transactions for services received from postal operators. However, such assessments are the subject of management's judgments and may be subject to adjustment.

5 Adoption of new or revised standards and interpretations

The following amended standards and amendments to IFRS standards and interpretations issued by the IASB became effective on or after 1 January 2022. However, their application did not have a material impact on the disclosure of information or on the amounts reflected in these financial statements. The Company did not apply any other standards, interpretations or amendments released but not effective.

- Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before the intended use”
- Amendments to IAS 37 “Onerous Contracts – Costs of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

All amounts in tables are in thousands of Ukrainian Hryvnia

6 New standards and interpretations not yet adopted

The following are standards and interpretations that have been issued but have not yet become effective as of the date of the Company's financial statements. At the date of approval of these Financial Statements, the Company has not applied any of these new or revised standards that have been issued but have not yet become effective.

	Effective Date
IFRS 17 "Insurance Contracts"	1 January 2023 *(transferred from 1 January 2021)*
Amendments to IFRS 17 – "Extension of the Temporary Exemption from the Application of IFRS 9" (Amendments to IFRS 4)	1 January 2023
Amendments to IAS 1 – "Classification of Liabilities as Current or Non-current"	Applies retrospectively for periods beginning on or after 1 January 2024
Amendments to IAS 1 and IFRS 2 Practice Statement – "Disclosure of Accounting Policies"	1 January 2023
Amendments to IAS 8 –"Determination of Accounting Estimates"	1 January 2023
IAS 12 – "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	1 January 2023
Amendments to IFRS 16 — Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28 — Sale or contribution of assets between an investor and his/her associate or joint venture	Postponed indefinitely

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

7 Balances and transactions with related parties

The Company is a 100% state-owned entity managed by the Ministry of Infrastructure of Ukraine. The Company's ultimate controlling party is Ukrainian government and therefore all entities controlled by the government are treated as related parties under common control. Related parties also include central government authorities, including the Cabinet of Ministers of Ukraine, industry ministries, judicial authorities, state owned/controlled enterprises, and the entities under common control of or with significant influence on the government.

Transactions with related parties are conducted on general terms similar to those available to unrelated parties and include primarily such services as delivery of written correspondence, delivery of pensions and other social benefits to individuals payable from the central and local budgets, subscription and delivery of periodicals, delivery of parcels, receipt of third party payments and some money transfers. During both periods presented, the Company was engaged by the Pension Fund of Ukraine for delivery of pensions to individuals. Please refer to Note 20 for the summary of revenue from this activity.

As of 31 December 2022 and 31 December 2021, a significant portion of the Company's bank balances are held with three state owned banks in Ukraine (Note 12).

Key management personnel are considered to be the General Director (and/or acting General Director) and the Deputy General Director of Finance. For 12 months of 2022, the total amount of compensation for key management personnel amounted to UAH 17,538 thousand (in 2021 – UAH 23,629 thousand). The compensation to key management personnel consisted of short-term salaries and bonus payments. For 12 months of 2022, the total amount of compensation to Supervisory Board members amounted to UAH 8,501 thousand (in 2021 – UAH 12,284 thousand). The compensation to Supervisory Board members consisted of short-term salaries and direct expenses compensations.

8 Segment information

For their decision-making purposes, the General Director of the Company and his management team review internal revenue reports of each of the following four businesses areas:

- postal services (including retail and corporate customers)
- financial services (including pension delivery, money transfers and third party payments)
- retail (including commission sales and own merchandise)
- other commercial services.

These business areas provide different services and use different technologies and market strategies and as such each business area is managed separately.

The Company's costs are not allocated to the above business areas therefore their performance is not evaluated separately. The General Director evaluates performance for the Company as a whole. On this basis the management concluded that the Company operates in one segment, being provision of postal and related services.

The Company's sources and geography of revenue are disclosed in Note 20. All non-current assets of the Company are located in Ukraine.

Major customers

During 2022 and 2021, the only customer that represented more than 10% of the Company's total revenue was the Pension Fund of Ukraine. The Pension Fund comprises over 25 regional directorates in each region and Kyiv, each of which signed agreements for the provision of services related to the payment and delivery of pensions to the population with the Company units. The revenue received as remuneration for the delivery of pensions and other social benefits in 2022 totalled UAH 2,694,149 thousand (2021- UAH 2,937,917 thousand).

All amounts in tables are in thousands of Ukrainian Hryvnia

9 Property, plant and equipment, capital investments in progress, investment property and intangible assets

Movement in the carrying amounts of property, plant and equipment and capital investments in progress is as follows:

	Buildings and structures	Plant and equipment	Vehicles	Office furniture and equipment	Total property, plant and equipment	Capital investments in progress
As of January 1, 2021						
Historical cost	3,317,866	677,126	892,920	513,455	5,401,367	65,889
Accumulated depreciation and impairment	(691,327)	(538,460)	(284,240)	(476,759)	(1,990,786)	-
Book value as of January 1, 2021	**2,626,539**	**138,666**	**608,680**	**36,696**	**3,410,581**	**65,889**
Additions	151,328	-	-	-	151,328	1,043,118
Trasfers (at historical cost)	12,793	27,735	649,891	96,614	787,033	(787,033)
Trasfers (at accumulated depreciation)	(2,351)	(13,649)	(3,843)	19,843	-	-
Remeasurement of the right-of-use assets	13,574	-	-	-	13,574	-
Recognized according to the results of the stock-taking	455	127	679	483	1,744	-
Disposal (at historical cost)	(68,968)	(21,653)	(7,057)	(18,987)	(116,665)	-
Disposal (at accumulated depreciation)	37,300	21,343	7,054	18,645	84,342	-
Transfers to non-current assets held for sale at cost	(77,477)	-	-	-	(77,477)	-
Transfers to non-current assets held for sale at accumulated depreciation	22,471	-	-	-	22,471	-
Depreciation charge and impairment	(160,127)	(55,910)	(102,231)	(127,706)	(445,974)	(1,110)
As of 31 December 2021						
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 at 31 December 2021 / as of January 1, 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 initial 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	-
Disposal (at historical cost)	(164,328)	(21,549)	(20,963)	(13,986)	(220,826)	-
Disposal (at accumulated depreciation)	74,691	20,957	20,467	13,986	130,101	-
Transfer to non-current assets for sale	(18,507)	(18)	-	-	(18525)	-
Transfer from investment property to property, plant and equipment (at initial cost)	25,552	-	-	-	25,552	-
Transfer from investment property to property, plant and equipment (at accumulated depreciation)	(1,837)	-	-	-	(1,837)	-
Depreciation charge and impairment	(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	2,375,309	79,481	1,396,970	19,141	3,870,901	295,454

All amounts in tables are in thousands of Ukrainian Hryvnia

Capital investments in progress mainly represent construction and refurbishment of buildings and structures and acquisition of property, plant and equipment items not yet put into operation. Upon completion, assets are transferred to a respective group of property, plant and equipment.

As of 31 December 2022, the Company had contractual obligations for the purchase of property, plant and equipment in the amount of UAH 421,801 thousand (as of 31 December 2021 – UAH 682,277 thousand).

As of 31 December 2022, the Company had fully depreciated property, plant and equipment in the amount of UAH 1,304,854 thousand, but still in use (as of 31 December 2021– UAH 593,963 thousand).

Up until 1 March 2017, the title to all of the property, plant and equipment and construction in progress items which were managed and used by the Company in its business activity was registered in the name of the Government of Ukraine. In accordance with Article 73 of the Commercial Code of Ukraine, the property of a government-owned entity belongs to the Government and is assigned to such entity on the right of business or operational management. Therefore, the property legally remained in the Government ownership. However, by its substance, the arrangement between the Company and the Government conveys the right to use such items for an unlimited period of time (until they are fully depreciated, completely worn out or destroyed - the government does not retain any element of risk relating to the assets' residual value at the end of their useful lives) and obtain economic benefits from the use of assets. On this basis, the Company recognised such items of property, plant and equipment and construction in progress in its financial statements.

In March 2017, the Government of Ukraine completed reorganisation of the Company from a state-owned entity into a joint stock company (see Note 14). In July 2018, the act of transferring property to JSC Ukrposhta, a legal successor of the state-owned enterprise, was signed between the Ministry of Infrastructure of Ukraine and the Company.

The total depreciation charge and impairment for the years ended 31 December is presented as follows:

(in thousand hryvnias)	**2022**	**2021**
Cost of products (goods, works, services) sold	559,685	431,134
Administrative expenses	18,938	17,171
Selling and distribution expenses	521	963
Other operating expenses	3,842	4,824
Other expenses (Note 29)	216,909	11,690
Total depreciation charge and impairment	**799,895**	**465,782**

During 2022, the Company purchased property, plant and equipment (vehicles) under finance lease agreements for a total value of UAH 72,148 thousand (in 2021 - UAH 90,090 thousand). As of 31 December 2022, the net carrying value of these items of property, plant and equipment held under finance lease arrangements totalled UAH 345,274 thousand (as of 31 December 2021 — UAH 354,533 thousand).

Intangible assets

As of the reporting dates, intangible assets are primarily represented by software that is amortised over useful life. As of 31 December 2022, intangible assets include advances issued in foreign currency for the purchase of software in the amount of UAH 44,432 thousand.

As of 31 December 2022, the Company has contractual obligations to purchase intangible assets in total UAH 288,527 thousand.

Right-of-use assets

The Company leases equipment and buildings in the normal course of business.

Leases of vehicles are made for fixed periods of 3 years and may be extended subject to agreement between the parties.

All amounts in tables are in thousands of Ukrainian Hryvnia

The carrying amount and movements in the right-of-use assets for 2022 are disclosed below:

(in thousand hryvnias)	**Buildings and structures**	**Vehicles**	**Total**
As of 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 charge	(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**

The carrying amount and movement of the right-of-use asset for 2021 is as follows:

(in thousand hryvnias)	**Buildings and structures**	**Vehicles**	**Total**
As of 1 January 2021	**231,651**	**420,713**	**652,364**
Additions	151,328	90,090	241,418
Adjustments to right-of-use assets on remeasurement of lease liabilities	13,574	-	13,574
Depreciation charge	(95,686)	(35,589)	(131,275)
Disposals	(29,543)	-	(29,543)
Transfers	-	(120,681)	(120,681)
31 December 2021	**271,324**	**354,533**	**625,857**

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

Investment property

(in thousand hryvnias)	**2022**	**2021**
Investment property at fair value at 1 January	**100,693**	**117,377**
Transferred to property, plant and equipment (at historical cost)	(25,552)	-
Transferred to property, plant and equipment (at accumulated depreciation)	1,837	-
Receipt of investment property	-	19
Transferred to non-current assets held for sale (at historical cost)	(210)	(13,850)
Transferred to non-current assets held for sale (at accumulated depreciation)	-	602
Disposal (at historical cost)	(2,520)	-
Disposal of accumulated depreciation	118	-
Depreciation charge and impairment	(5,405)	(3,455)
At 31 December		
Historical cost	79,104	107,386
Accumulated depreciation and impairment	(10,143)	(6,693)
Carrying amount	**68,961**	**100,693**

Management estimated the expected range of fair value of investment property as of 31 December 2022 at the level of UAH 275,000 to UAH 335,000 (as of 31 December 2021 at the level of UAH 370,000 to UAH 450,000) without involving independent appraisers.

All amounts in tables are in thousands of Ukrainian Hryvnia

Where the Company is a lessor, the future minimum lease payments under the operating lease and for all properties as of 31 December 2022 are as follows:

(in thousand hryvnias)	**Future leaseproceeds**
Demand and less than 1 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 proceeds from operating leases	**130,664**

As of 31 December 2021, the future minimum lease payments under the operating lease were as follows:

(in thousand hryvnias)	**Future lease proceeds**
Demand and less than 1 month	7,692
From 1 to 3 months	13,354
From 3 to 12 months	49,808
From 12 months to 5 years	70,717
Total undiscounted future lease proceeds from operating leases	**141,571**

Operating lease income in 2022 amounted to UAH 97,865 thousand (in 2021 – UAH 102,093 thousand) and was recognized as part of other operating income.

Non-current assets held for sale

As noted in Note 4, as of 20 October 2019 due to changes in the Legislation of Ukraine, the Company has acquired the right to dispose of property through open auction systems sale. Based on the Decision of the shareholder represented by the Ministry of Infrastructure of Ukraine, the Company transfers real estate from property, plant and equipment to non-current assets held for sale.

The movement of non-current assets held for sale is presented as follows:

(in thousand hryvnias)	**2022.**	**2021**
Non-current assets held for sale at 1 January 2022	**75,643**	**98,659**
Transfers from property, plant and equipment	18,525	55,006
Transferred from the investment property	210	13,248
Sold	(8,633)	(80,155)
Impairment	(11,926)	(11,115)
Non-current assets held for sale at 31 December 2022	**73,819**	**75,643**

Net profit from the sale of non-current assets held for sale in 2022 amounted to UAH 67,117 thousand (in 2021 — UAH 86,277 thousand) and is included in other income.

Pledged assets

The Company has signed loan agreements with international financial institutions (Note 15) under which the Ministry of Finance of Ukraine acts as a guarantor in respect of debt repayment. As collateral under the guarantee, real estate was transferred to the mortgage, the book value of which as of 31 December 2022 is UAH 676,900 thousand (as of 31 December 2021 it was UAH 693,679 thousand (as of 31 December 2020, there were no assets in the pledge).

All amounts in tables are in thousands of Ukrainian Hryvnia

10 Inventories

(in thousand hryvnias)	**31 December 2022.**	**31 December 2021**
Raw materials	348,417	231,750
Goods for resale	216,207	62,139
Finished goods and work in progress	-	10
Total inventories	**564,624**	**293,899**

Raw materials are represented mainly by automobile fuel and sundry materials used during postal operations.

11 Accounts receivable for goods, works and services, advances issued and other current accounts receivable

(in thousand hryvnias)	**31 December 2022**	**31 December 2021**
Accounts receivable for goods, works and services	399,892	459,406
including receivables from postal operators of other countries	*189,669*	*250,544*
Other current accounts receivable	146,066	179,138
including receivables from postal operators of other countries	*5,305*	*5,874*
Total financial accounts receivable (gross carrying amount)	**545,958**	**638,544**
Advances issued	74,177	35,830
Other receivables	29,151	17,628
Allowance for impairment	(106,781)	(81,564)
Total accounts receivable, advances issued and other receivables	**542,505**	**610,438**

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

	2022	**2021**
- UAH	245,047	287,851
- USD	108,486	184,350
- SDR	81,496	76,572
- EUR	4,148	8,207
Total financial accounts receivable	**439,177**	**556,980**

All amounts in tables are in thousands of Ukrainian Hryvnia

As of 31 December 2022 and 31 December 2021, accounts receivable, advances issued and other account receivable are non-interest bearing and are settled in the normal course of business.

The Company applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivable. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due. The ECL rates are based on the payment profiles of sales over a period of 24 months before 31 December 2022 or 31 December 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The credit loss allowance for financial accounts receivable is determined according to provision matrix presented in the table below. The provision matrix is based on the number of days that an asset is past due.

ECL matrix at 31 December 2022:

In % of gross value	**Loss rate**	**Gross carrying amount**	**Lifetime ECL**
- not past due			
•Postal operators of other countries	*0.00%*	193,854	-
•Governmental institutions and state owned enterprises	*0.89%*	131,538	1,170
•Utility entities	*2.10%*	8,219	172
•Other entities	*2.60%*	88,580	2,302
		422,191	**3,644**
less than 30 days overdue	*29.07%*	12,073	3,510
31 to 60 days overdue	*47.26%*	13,636	6,445
61 to 90 days overdue	*56.79%*	11,284	6,408
more than 90 days overdue	*98.99%*	86,774	86,774
Total financial accounts receivable as of 31 December 2022 (gross carrying amount)		**545,958**	106,781
Credit loss allowance for financial accounts receivable		(106,781)	-
Total financial accounts receivable as of 31 December 2022		**439,177**	-

All amounts in tables are in thousands of Ukrainian Hryvnia

ECL matrix as of 31 December 2021:

In % of gross value	Loss rate	Gross carrying amount	Lifetime ECL
- not past due			
• Postal operators of other countries	*0.00%*	252,487	-
• Governmental institutions and state owned enterprises	*0.92%*	43,518	399
• Utility entities	*1.31%*	14,056	184
• Other entities	*1.43%*	217,516	3,101
		527,577	**3,684**
less than 30 days overdue	*30.67%*	11,127	3,413
31 to 60 days overdue	*47.53%*	31,348	14,899
61 to 90 days overdue	*68.55%*	17,874	12,253
more than 90 days overdue	*93.48%*	50,618	47,315
Total financial accounts receivable as of 31 December 2021 (gross carrying amount)	-	**638,544**	**81,564**
Credit loss allowance for financial accounts receivable	-	(81,564)	-
Total financial accounts receivable as of 31 December 2021	-	**556,980**	-

Movements in the impairment provision for the financial and other accounts receivables are as follows:

	2022	2021
Allowance for doubtful receivables at 1 January	**81,565**	**57,734**
Allowance accrued during the year	25,216	23,830
Allowance for doubtful receivables at 31 December	**106,781**	**81,564**

12 Cash, cash equivalents and current financial investments

Cash, cash equivalents and current financial investments comprise amounts held physically in cash, bank balances available on demand, cash in transit and short-term deposits.

(in thousand hryvnias)	31 December 2022	31 December 2021
Bank balances payable on demand	**2,792,800**	**3,774,066**
Including:		
General purpose bank accounts	*2,396,562*	*1,697,979*
Designated purpose bank accounts	*396,238*	*2,076,087*
Cash on hand	**339,238**	**119,329**
Total cash and cash equivalents	**3,132,038**	**3,893,395**
Short-term deposits longer than 3 months	**585,098**	**1,509,233**
Total cash, cash equivalents and current financial investments	**3,717,136**	**5,402,628**

All amounts in tables are in thousands of Ukrainian Hryvnia

Designated purpose bank accounts are represented by cash received from the Pension Fund and other social institutions with the defined purpose for delivery of pensions and other social benefits to individuals.

Short-term deposits with a maturity of more than 3 months are reflected in the Statement of Financial Position under "Current financial investments" item.

Short-term deposits in 2022 were placed in Ukrainian banks with a maturity of 98 to 280 days with an average interest rate on UAH deposits 8.97% per annum, and on foreign currency deposits up to 3.6% per annum. Interest earned on deposits is recognised in the Statement of Comprehensive Income within financial income.

As of 31 December 2022, cash, cash equivalents and current financial investments are denominated in the following currencies:

(in thousand hryvnias)	**2022**	**2021**
- UAH	2,656,141	4,545,261
- USD	1,041,718	761,244
- EUR	18,644	96,123
- CHF	633	-
Total cash, cash equivalents and current financial investments	**3,717,136**	**5,402,628**

The credit quality of cash, cash equivalents and current financial investments may be summarised on the basis of Moody's Investors Service's ratings as follows:

	31 December 2022	**31 December 2021**
(in thousand hryvnias)	Bank balances payable on demand	
Neither past due nor impaired		
AA	360,462	-
A2	7,696	3,992
Aa3	-	17,705
B1	1,708,619	-
B2	-	6,645
B3	-	4,749,926
Caa3	1,291,298	-
Unrated	9,823	505,031
Total	**3,377,898**	**5,283,299**

As of 31 December 2022, the bank balances payable on demand in the amount of UAH 2,992,385 thousand (as of 31 December 2021 — UAH 4,749,466 thousand) were held with three large Ukrainian government-owned banks.

13 Assets and liabilities on occupied territories

a) russian troops occupied Crimea in late February 2014 and on 1 March 2014 the russian parliament granted approval for the use of armed forces in Ukraine. On 16 March a so-called referendum was held in Crimea on its secession from Ukraine and on 18 March russia signed a treaty with Crimea to annex the territory to the russian federation. Few countries other than russia have recognised the so-called referendum and the annexation.
Further, in 2014 armed separatist forces obtained control over parts of the Donetsk and Luhansk regions in the east of Ukraine. In response, the Ukrainian Government launched an anti-terrorist operation.
The Company owns assets and initially recognised liabilities located in the parts of the Donetsk and Luhansk regions where there has been armed conflict and in Crimea. Since various dates in 2014,

All amounts in tables are in thousands of Ukrainian Hryvnia

the Company was neither able to carry its operations using these assets nor return them to the territory controlled by the Ukrainian Government.
As of 31 December 2017, management decided to derecognise the liabilities of UAH 111,846 thousand resulting from operations of branches in the temporarily occupied Crimean and certain parts of the Donetsk and Luhansk regions due to the expiry of the statute of limitations for such liabilities and the lack of claims on settlement of such liabilities.

b) As indicated in Note 3, on 24 February 2022, the russian federation launched a full-scale military invasion to Ukraine that became a new round of armed escalation. Considering the circumstances in Ukraine caused by the military actions of the russian federation starting from 24 February 2022, the occupation of part of the country's territory by military formations of another state, which together led to significant destruction of assets, inability to conduct business in some of the Company's divisions, lack of physical access and loss of control over the assets located in the temporarily occupied territories of Luhansk, Kherson, Donetsk, Zaporizhzhia, Kharkiv and Mykolaiv regions. The Company continues to assess the impairment of assets and liabilities in respect of branches located in the uncontrolled territories. The Company has identified a list of non-current assets, inventory, cash, accounts receivable located in the temporarily occupied territories and territories of military operations as of 31 December 2022, and has impaired the corresponding assets. The Company did not perform impairment testing as of 31 December 2022.

14 Share capital

As of 31 December 2016, the Company was registered in the form of a state-owned enterprise as defined by the law of Ukraine. In March 2017, Ukrposhta was registered as a PJSC with 100% shares held by the State of Ukraine. PJSC Ukrposhta is a legal successor of the state-owned enterprise.

Within the Government, the Company is directly subordinate to the Ministry of Community, Territory and Infrastructure Development of Ukraine. The formal ownership is with the State Property Fund of Ukraine, which has title to 100% of the share capital of the Company.

In March 2017, the Government of Ukraine completed reorganisation of the Company from a state-owned entity into a joint stock company. The process of reorganisation into a joint stock company was based on the Restructuring Plan approved by the order of the Ministry of Community, Territory and Infrastructure Development of Ukraine. The reorganisation was completed by corporatisation and registration as a PJSC with 6,518,597 authorised and outstanding ordinary shares with the nominal value of UAH 1,000 per share. As of 31 December 2022 and 2021, 100% shares of the Company are unlisted, untraded, held by the state of Ukraine and are not subject to disposal.

An independent appraiser was engaged to perform a valuation of PJSC Ukrposhta shares, who conducted the valuation of the fair value of assets and liabilities of the Company in accordance with the share valuation guidance developed by the State Property Fund of Ukraine. The value of the share capital was estimated as the fair value of assets less fair value of liabilities as of the valuation date. The fair valuation is required by the rules of corporatisation to enable the Government to determine the value of the share capital of the new business entity. As the new entity, JSC Ukrposhta, represents the continuation of the existing business, assets and liabilities of its predecessor, the fair value of assets and liabilities disclosed above could not be presented in the financial statements of the Company.

Therefore, the effect of establishment of the new entity's share capital was presented as effect of corporatisation in the amount of UAH 5,254,038 thousand as a separate reserve in equity.

	Number of ordinary shares	**Registered capital**	**Effect of corporatisation**	**Total**
As of 31 December 2022 /As of 31 December 2021	6,518,597	6,518,597	(5,254,038)	**1,264,559**

As of 31 December 2022 and 2021, the net assets totalling UAH 1,419,800 thousand and UAH 2,677,889 thousand, respectively, were lower than the Company's registered share capital of UAH 6,518,597 thousand. The Civil Code of Ukraine (the "Code") requires that net assets are maintained at the amount higher than registered share capital. Under the Code, the Company has 2 years to rectify this situation. If not rectified, the Code requires to reduce the amount of registered share capital. Management believes that such non-compliance will not lead to any material adverse effects on the Company's operations or financial statements.

All amounts in tables are in thousands of Ukrainian Hryvnia

Distribution of dividends

Profit available for distribution to the shareholders for each reporting period is determined by reference to the stand alone financial statements of the Company prepared in accordance with IFRS. Under Ukrainian legislation, the amount of dividends is limited to net profit of the reporting period or other distributable reserves but not more than retained earnings as per the stand alone financial statements prepared in accordance with IFRS. The Company has to make a decision in respect of dividend distribution by 30 April and to pay the dividend to the State budget by 30 June of the year in the following reporting year. The Cabinet of Ministers of Ukraine approves a percentage of net profit to be distributed each year with a separate resolution. If such a resolution is not adopted by June 30, the Company shall transfer to the state budget of Ukraine 30% of its net profit, as provided for by the provisions of the Law of Ukraine "On Management of State-Owned Property" No. 185-V of 21 September 2006, or in accordance with the requirements of the Law of Ukraine "On Joint Stock Companies" No. 514-VI of 17 September 2008, pay dividends in the amount established by the Shareholder's decision.

According to the Resolution of the Cabinet of Ministers of Ukraine No. 305 of 17 March 2022 "On the specifics of the operation of the Joint Stock Company "Ukrposhta" under martial law, which amended the Resolution of the Cabinet of Ministers of Ukraine No. 230 of 8 March 2022 "On approval of the basic standard of deduction of the share of profit allocated for the payment of dividends based on the results of financial and economic activities in 2021 of business entities with corporate rights of the state in the authorised capital", the share of deduction of net profit allocated to the payment of dividends based on the results of financial and economic activities in 2021 was set at 30% of the Company's profit for 2021 in the amount of UAH 55,075 thousand and was allocated to the payment of dividends, which were transferred in March and June 2022.

Based on the results of financial and economic activities in 2022, the Company does not pay dividends due to losses received mainly as a result of the negative impact of the war on the Company's activities as a whole.

15 Borrowings

Borrowings are represented by bonds of own issue and bank loan. The carrying amount of borrowings is as follows:

Borrowings

(in thousand hryvnias)	**31 December 2022**	**31 December 2021**
Long-term bonds (line 1510)	-	3,379
Long-term bank loans (line 1510)	863,115	609,499
Current portion of long-term bonds (line 1600)	3,381	70,011
Current portion of bank loans (line 1600)	168,211	57,212
Total	**1,034,707**	**740,101**

All amounts in tables are in thousands of Ukrainian Hryvnia

Monetary and non-monetary movements in borrowings for the period are presented in the table below

(in thousand hryvnias)	**2022**	**2021**
Opening balance as of 1 January	**740,101**	**316,635**
Monetary movement		
Interest paid	(28,597)	(72,873)
Borrowings repaid	(141,948)	(472,479)
New borrowings obtained	192,611	926,530
Non-monetary movement		
Discount amortization (bonuses)	21,880	(25,129)
Interest accrued during the period	27,426	64,941
Foreign exchange difference expenses accrued during the period	223,235	2,476
Closing balance as of 31 December	**1,034,708**	**740,101**

Bonds

During 2017, the Company registered an issue of registered interest-bearing ordinary bonds with the face value of UAH 100 thousand per bond. The placement of bonds on a Ukrainian stock exchange commenced in December 2017 and was completed during 2018.

The total value of the bond issue is as follows:

- series "A" – UAH 150,000 thousand (in circulation until November 2020) - fully repaid in November 2020
- series "B" – UAH 200,000 thousand (in circulation until May 2022, offer in November 2020) - fully repaid in May 2022
- series "C" – UAH 250,000 thousand (in circulation until November 2023, offer in November 2021).

As of the offer date, the bonds of series A, B in November 2020 and bonds of series C in November 2021 were not offered for redemption. During 2021, the coupon rate on these bonds remained at 19% p. a. for all bonds. No early redemption is available except the pre-determined dates.

In November 2020, in accordance with the terms of the registered bonds issue bulletin, the Company made full repayment of the obligation and coupon interest income on registered interest-bearing bonds of “A” series in due time. Payment of interest income and redemption amounts on bonds of series “A” was made directly through the depository system of Ukraine.

In May 2022, in accordance with the terms and conditions of the registered issue prospectus, the Company made a full repayment of the liability and coupon interest income by the series B bonds in due time. Payment of interest income and redemption amounts on bonds of series “B” was made directly through the depository system of Ukraine.

During 2018-2021, the Company redeemed and resold some bonds. Proceeds from placement of the bonds were used to boost the Company’s core business, in particular, to finance repairs and replacement of postal service assets and acquisition of vehicles and computer equipment.

As of the reporting date, 33 series C bonds maturing on 18 November 2023 were in circulation.

Term loan

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

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

Tranche 1 and Tranche 3 in for EUR 23 million and EUR 10 million, respectively, to finance the completion of "Rural post offices" project that provides for the purchase of new equipped cars (up to 1,900 cars) for mobile post offices in 17 regions, OS-terminal equipment (3-in-1 devices) and the introduction of a new Front Office system for digitalization and automation of postal services. Tranches 1 and 3 are granted for up to 8 years.

All amounts in tables are in thousands of Ukrainian Hryvnia

Tranche 2 is EUR 30 million intended for funding the second half of the investment project for the development of the logistics network. The tranche is provided for up to 12 years.

A fixed or floating rate may be applied under a loan agreement with the EBRD.

Both loan agreements are secured by state guarantees. The company, in turn, signed with the Ministry of Finance of Ukraine respective indemnity agreements to repay its obligations to the state for the fulfilment of guarantees, which provide the following collateral:

- pledge of the Company’s real estate rights in the amount equal to the amount of financing under EBRD loan. As of 31 December 2022 and 31 December 2021, the relevant mortgage agreement was concluded with the Ministry of Finance of Ukraine;
- the right to contractually write off funds in the amount of non-performed obligations in favour of the state of Ukraine and at the request of the Ministry of Finance from the bank accounts of the Borrower except for the designed purpose bank accounts.

As of 31 December 2022, financing under the loan agreement with the EBRD was received in the amount of EUR 28,619 thousand, EUR 1,917 thousand were repaid, the total debt as of 31 December 2022 was EUR 26,702 thousand, the depreciated cost of loan obligations is UAH 1,031,327 thousand.

In preparing these financial statements, the Company has changed the presentation of certain items of the statement of financial position and related disclosures as of 31 December 2021 to ensure comparability of the respective figures. The Company amended the presentation of liabilities under the EBRD loan, as a result, liabilities in the amount of UAH 57,212 thousand, previously presented as short-term loans from banks, were presented within current accounts payable under non-current liabilities. Management believes that this change provides more relevant information.

As of 31 December 2022, the Company breached financial covenants under the loan agreement with the EBRD. At the request of the Company, in September 2022, the EBRD provided waiver letter to remove the requirement to comply with financial covenants for 2022. Accordingly, the obligation under the EBRD loan was classified as long-term one as of 31 December 2022.

Other liabilities

Other liabilities are presented as follows:

	31 December 2022		**31 December 2021**	
(in thousand hryvnias)	**Short-term**	**Long-term**	**Short-term**	**Long-term**
Finance lease liabilities	113,812	83,693	115,319	124,157
Lease liabilities (Real Estate)	149,560	181,402	101,969	193,202
Other liabilities	-	1,116	-	1,156
Total lease liabilities	**263,372**	**266,211**	**217,288**	**318,515**

All amounts in tables are in thousands of Ukrainian Hryvnia

The movement of lease obligations in 2022 is presented below:

(in thousand hryvnias)	**Finance lease liabilities**	**Lease liabilities (Real Estate)**
As of 1 January 2022	**239,476**	**295,171**
Additions	86,577	219,578
Remeasurement of the liability		(24,695)
Interest expense	26,028	39,296
Repayment of financial liabilities	(187,112)	(118,416)
Disposals		(79,972)
Other changes	32,536	-
31 December 2022	**197,505**	**330,962**

The movement of lease obligations in 2021 is presented below:

(in thousand hryvnias)	**Finance lease liabilities**	**Lease liabilities (Real Estate)**
As of 1 January 2021	**280,761**	**247,959**
Additions	108,108	151,328
Remeasurement of the liability	-	13,327
Interest expense	34,093	40,030
Repayment of financial liabilities	(170,842)	(124,140)
Disposals	-	(33,333)
Other changes	(12,644)	-
31 December 2021	**239,476**	**295,171**

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. However, leased equipment is used as collateral for borrowings. The total value of such collateral as of 31 December 2022 amounts to UAH 345,274 thousand (31 December 2021: UAH 354,533 thousand).

The Company has reviewed the asset for the right to use the leased property and its associated liability due to changes in the essential terms of the contracts. Re-entering into a lease agreement for a new term and with a new value was considered as a new obligation. The balances of assets and liabilities under previous agreements have been reduced and adjusted accordingly in the financial statements.

During 2022, the Company signed a number of finance lease agreements in the amount of UAH 86,577 thousand (including VAT) to upgrade its car fleet used for line haul and regional transportation. Of this amount, the initial instalment totalled UAH 28,834 thousand.

The future minimum lease payments and the present value of lease payments are presented as follows:

	2022		**2021**	
(in thousand hryvnias)	**Minimum lease payments**	**Present value of lease payments**	**Minimum lease payments**	**Present value of lease payments**
Not later than 1 year	353,103	263,372	305,593	217,288
Later than 1 year and not later than 5 years	409,242	251,770	387,980	283,411
Later than 5 years	28,294	13,325	69,455	33,948
Total minimum lease payments	**790,639**	**528,467**	**763,028**	**534,647**
Less future finance costs	(262,172)	-	(228,381)	-
Present value of minimum lease payments	**528,467**	**528,467**	**534,648**	**534,647**

All amounts in tables are in thousands of Ukrainian Hryvnia

16 Trade accounts payable

Trade payables are represented mainly by obligations due to other postal operators and sundry payables.

As of 31 December 2022, 91% of trade payables is denominated in SDR, 8% in UAH, 1% in USD and 0.1% in EUR (31 December 2021: 82% of trade payables is denominated in SDR, 15% in UAH, 2% in USD and 0.1% in EUR).

As of 31 December 2022, UAH2,397,257 thousand of trade payables represent obligations due to other postal operators (31 December 2021: UAH 1,345,296 thousand).

Trade accounts payable represent unsecured financial liabilities. Accounts payable to counterparties in Ukraine are generally settled within 60 days of recognition.

The Company is a member of the Universal Postal Union. The Company uses services of other foreign postal operators who deliver letters and parcels with origination in Ukraine to end recipients abroad. The value of such services is regulated by Universal Postal Convention. Payables to postal operators of other countries are generally settled within 6 months to 2 years.

The fair value of trade payables approximates their carrying amount.

17 Accruals and other liabilities

The accrued unused vacation is expected to be substantially utilised over twelve months from the balance sheet date. The accrued bonuses are payable within three months from the balance sheet date.

(in thousand hryvnias)	Accrued unused vacation	Accrued bonuses	Provisions related to legal claims	Total provisions
Provision as of 1 January 2022	**527,031**	**78,189**	**9,089**	**614,309**
Accrued for the reporting period	533,653	108,836	225	642,714
Used in the reporting period	(522,678)	(115,202)	-	(637,880)
Provision as of 31 December 2022	**538,006**	**71,823**	**9,314**	**619,143**

18 Deferred revenue

Deferred revenue comprises the following items:

(in thousand hryvnias)	31 December 2022	31 December 2021
Delivery of parcels, small packages	113,037	87,536
Unused postage stamps	98,965	196,375
Delivery of periodicals	89,580	207,519
Receipt of cash payments and electronic transfers	14,750	4,088
Other	2,921	3,537
Total deferred revenue	**319,253**	**499,055**

Unused postage stamps represent advance payments for stamps purchased by the general public and business entities but not yet used at the balance sheet date. The valuation of this deferred revenue is based on a number of different estimation and sampling methods using external specialist resource as appropriate (see Note 4).

All amounts in tables are in thousands of Ukrainian Hryvnia

19 Other current liabilities

Other current liabilities consist of the following payables:

(in thousand hryvnias)	**31 December 2022**	**31 December 2021**
Money transfers due to customers	863,761	338,707
Collected amounts due to utility companies	509,957	218,475
Advanced pensions and other social payments	346,450	1,994,318
Amounts due to publishers	253,781	317,541
Amounts due for sold merchandise	83,177	114,978
Other	116,972	74,516
Other current liabilities	**2,174,098**	**3,058,535**

Other current liabilities are unsecured financial liabilities that are largely denominated in UAH and are usually paid within 60 days of recognition. The fair value of other current liabilities approximates their carrying amount.

Advanced pensions and other social payments is a liability for cash received by the Company to effect delivery of pensions and other social benefits which have not yet been delivered.

20 Revenue from sales of goods, works and services

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

(in thousand hryvnias)	**2022**	**2021**
Provision of postal services	**5,493,340**	**6,180,133**
Delivery of parcels and small packages	2,569,759	2,476,208
Letters	1,725,587	2,112,116
International postal exchange	571,133	883,178
Subscription and delivery of periodicals	332,904	429,017
Other postal services	293,957	279,614
Financial and related services	**3,979,989**	**4,551,837**
Delivery of pensions and other social payments	2,694,149	2,937,917
Utility payments	1,029,211	1,266,241
Postal money transfers	168,141	258,623
Other financial services	88,488	89,056
Sale of own and commissioned goods	**849,417**	**448,185**
Other commercial services	**673**	**1,713**
Total revenue from sales of goods, works and services	**10,323,419**	**11,181,868**

All amounts in tables are in thousands of Ukrainian Hryvnia

Revenues are generated from the following geographical areas*:

(in thousand hryvnias)	**2022**	**2021**
Ukraine	9,752,286	10,298,691
Latvia	176,997	217,326
Hong Kong	50,640	97,972
russia	15,847	152,345
China	10,443	50,370
Estonia	2,136	43,355
Other countries	315,070	321,809
Total revenue from sales of goods, works and services	**10,323,419**	**11,181,868**

*Geography is presented by the location of the counterparty to which the Company delivers a service.

Timing of revenue recognition is presented below by source:

(in thousand hryvnias)	**2022**	**2021**
At a point in time	**10,042,951**	**10,849,477**
Delivery of pensions and other social payments	2,694,149	2,937,917
Delivery of parcels, small packages	2,569,759	2,476,208
Letters	1,725,587	2,106,805
Other financial services	1,285,840	1,613,920
International postal exchange	571,133	883,178
Sale of goods and other services	849,417	448,185
Other postal services	293,957	284,925
Subscription	52,436	96,626
Other commercial services	673	1,713
Over time	**280,468**	**332,391**
Delivery of periodicals	280,468	332,391
Total revenue	**10,323,419**	**11,181,868**

International postal exchange revenue for 2022 includes a significant portion for which the reconciliation process with postal operators of other countries was partially completed at the date of approval of these financial statements and therefore revenue estimates were adjusted respectively.

21 Cost of sales of goods, works and services

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

(in thousand hryvnias)	**2022**	**2021**
Salaries and wages	4,434,851	4,945,530
Costs incurred on international postal exchange	1,134,531	1,209,779
Social contributions	1,045,324	1,186,232
Material costs	909,479	617,817
Depreciation and amortisation	559,685	431,134
Cost of goods sold	350,638	96,887
Bank fees	114,883	143,739
Other	1,377,467	905,307
Total cost of sales of goods, works and services	**9,926,858**	**9,536,425**

All amounts in tables are in thousands of Ukrainian Hryvnia

Costs incurred on international postal exchange in 2022 include a significant portion for which the reconciliation process with postal operators of other countries was partially completed at the date of approval of these financial statements and therefore costs estimates were adjusted respectively.

The item "Salaries and wages" in the cost of sales, takes into account payments for non-worked time, including payment for downtime and salaries of the mobilised employees, for the total cost of UAH 71,489 thousand for such types of payments.

Received invoices for the cancellation of fees from postal operators for 2022 amounted to UAH 2,652 thousand (for 2021 — none).

22 Selling expenses

Selling expenses for the year comprised the following:

(in thousand hryvnias)	**2022**	**2021**
Salaries and wages	161,524	199,689
Social contributions	33,961	42,302
Material costs	3,573	5,237
Advertising expenses	6,377	7,424
Depreciation and amortisation	521	963
Other	1,944	3,734
Total selling expenses	**207,900**	**259,349**

The item "Salaries and wages" in the selling expenses, takes into account payments for non-worked time, including payment for downtime and salaries of the mobilised employees, for the total cost of UAH 2,465 thousand for such types of payments.

23 Administrative expenses

Administrative expenses for the year comprised the following:

(in thousand hryvnias)	**2022**	**2021**
Salaries and wages	840,740	1,011,441
Social contributions	170,971	201,658
Mandatory payments, taxes and fees	65,205	41,464
Depreciation and amortisation	18,938	17,171
Material costs	6,223	6,106
Other	46,310	46,210
Total administrative expenses	**1,148,387**	**1,324,050**

Administrative expenses include, among other, the cost of statutory audit services for annual financial statements and services for performing the task of agreed procedures for financial information. The item “Salaries and wages” in the administrative expenses, takes into account payments for non-worked time, including payment for downtime and salaries of the mobilised employees, for the total cost of UAH 8,217 thousand for such types of payments.

All amounts in tables are in thousands of Ukrainian Hryvnia

24 Other operating expenses

Other operating expenses for the year comprised the following:

(in thousand hryvnias)	**2022**	**2021**
Foreign exchange losses	146,056	-
Shortages of inventories and cash	111,441	16,953
Compensation for the cost of lost postal parcels	45,052	42,645
Provision for expected credit losses and impairment of advances issued	40,015	21,720
Salaries and wages	32,357	37,729
Social contributions	25,098	31,593
Depreciation and amortisation	3,842	4,824
Fines and penalties	1,800	4,839
Other	6,242	9,731
Total other operating expenses	**411,903**	**170,034**

25 Other financial income

Financial income for the year comprised the following:

(in thousand hryvnias)	**2022**	**2021**
Interest received on bank balances	140,033	103,488
Dividends received	-	1,389
Other	386	27
Total financial income	**140,419**	**104,904**

26 Financial expenses

Financial expenses for the year comprised the following:

(in thousand hryvnias)	**2022**	**2021**
Finance expenses on bank loans	45,014	495
Accrued interest on lease liabilities	39,296	40,030
Interest expense on finance lease liabilities	26,028	34,093
Expenses related to servicing of bonds	4,292	39,316
Other	424	635
Total financial expenses	**115,054**	**114,569**

27 Other operating income

Other operating income for the year comprised the following:

(in thousand hryvnias)	**2022**	**2021**
Rental income	97,865	102,093
Compensation for the cost of lost postal parcels	28,344	24,956
Income from the provision of exchange services	13,328	120,127
Foreign exchange gains	-	11,946
Other	40,225	50,349
Total other operating income	**179,762**	**309,471**

All amounts in tables are in thousands of Ukrainian Hryvnia

28 Other income

(in thousand hryvnias)	**2022**	**2021**
Profit from the sale of real estate	67,117	86,277
Income from non-current assets received for free	58,890	-
Income from changes in the value of financial instruments	-	1,153
Other	405	4,275
Total other income	**126,412**	**91,705**

29 Other expenses

(in thousand hryvnias)	**2022**	**2021**
Non-operating foreign exchange losses	255,951	2,477
Depreciation of non-current assets	216,909	11,690
Contributions to trade unions	8,570	27,887
Expenses for changes in the value of financial instruments	6,499	-
Write-off of non-current assets	4,828	3,094
Other	315	427
Total other expenses	**493,072**	**45,575**

30 Income tax

(in thousand hryvnias)	**2022**	**2021**
Current income tax charge	1,684	66,905
Deferred income tax benefit	(276,757)	(12,541)
Income tax (expense)/credit	**(275,073)**	**54,364**

The Company is subject to taxation in Ukraine. In 2022 and 2021, Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 18%.

Approval of the effective tax rate:

(in thousand hryvnias)	**2022**	**2021**
Profit/(loss) before tax	**(1,533,162)**	**237,946**
Statutory income tax rate	18%	18%
Tax charge/(credit) at the statutory tax rate	**(275,969)**	**42,830**
Net effect of non-deductible expenses / (income exempt from taxation)	896	5,798
Items for those no deferred taxes have been recognized in previous periods	-	5,736
Income tax (expense)/credit	**(275,073)**	**54,364**

Differences between Ukrainian tax rules and IFRSs lead to some temporary differences between the asset's carrying amount and liabilities for financial reporting purposes and their tax bases.

All amounts in tables are in thousands of Ukrainian Hryvnia

Changes in recognized temporary differences during the year ended 31 December 2022 are presented as follows:

(in thousand hryvnias)	**1 January 2022**	**Charged to the profit and 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 for sale	(7,304)	405	(6,899)
Inventory and provisions	1,617	4,901	6,518
Accounts receivable	15,916	4,373	20,289
Cash and financial assets	-	14,348	14,348
Tax losses carry forward	-	207,368	207,368
Net deferred tax assets (liabilities)	**(189,105)**	**276,757**	**87,652**

The Company's management expects that the deferred tax asset recognized for accumulated tax losses in the amount of UAH 207,368 thousand as of 31 December 2022, will be recovered within the next 5 years after the reporting date, taking into account the conditions and requirements of current tax legislation.

Changes in recognized temporary differences during the year ended 31 December 2021 are presented as follows:

(in thousand hryvnias)	**1 January 2021**	**Charged to the profit and loss**	**31 December 2021**
Property, plant and equipment and investment property	(217,813)	16,330	(201,483)
Intangible assets	3,552	(1,403)	2,149
Construction in progress	-	(7,304)	(7,304)
Inventory	1,368	249	1,617
Accounts receivable	11,247	4,669	15,916
Net deferred tax assets (liabilities)	**(201,646)**	**12,541**	**(189,105)**

It is expected that all tax differences, except those arising on property, plant and equipment and investment property will be utilised within the next two accounting periods.

31 Contingencies and commitments

Tax legislation. Ukrainian tax, currency and customs legislation is subject to changes, which can occur frequently, and varying interpretations. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant regional and state authorities. 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, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods.

Ukrainian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods.

Impairment of assets. The Company impaired its non-current assets located on non-controlled territories of Donetsk and Luhansk regions (Note 13a). Taking into account the unfavourable court decision, tax authorities may scrutinize this operation and interpret it differently. Therefore, the impairment of assets may result in assessment of indirect taxes in the amount of UAH 90.6 million (including penalties).

Management believes that there are strong arguments to successfully defend any such challenge and did not recognise any provision for this tax risk in these financial statements.

Environmental matters. The enforcement of environmental regulation in Ukraine is evolving and the position of government authorities is continually being reconsidered. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities of environmental damage.

UCT liabilities. As disclosed in Note 13a, the Company derecognised liabilities resulting from operations of the branches in the temporary occupied territory of Crimea and certain parts of the Donetsk and Luhansk regions. While liabilities of that nature may be subject to future collection claims, management assesses the likelihood of such events as relatively insignificant and remote.

32 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits and then ensure that exposure to risks stays within these limits.

Risk management is carried out by the central treasury department working closely with the operating units, under policies approved by the management board. The Company treasury identifies, evaluates and proposes risk management techniques to minimise these exposures.

Credit risk. The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from exposure to banks in which the Company deposit its cash and cash equivalents, and credit exposures which are classified in the Statement of Financial Position as current financial investments and transactions with customers, including outstanding trade receivables.

The credit risk exposure is monitored and analysed on a case-by-case basis. Credit evaluations are performed for all customers requiring credit over a specified amount.

Management reviews the ageing analysis of outstanding trade receivables and follows up on past due balances. Management, therefore, considers it appropriate to provide ageing and other information about credit risk in these financial statements.

The maximum amount exposed to credit risk as of the reporting date is UAH 3,837,033 thousand (as of 31 December 2021 – UAH 5,848,965 thousand) and represents the book value of financial accounts receivable, accounts receivable for accrued income and cash on bank accounts. The Company does not hold any collateral as security.

Management believes that credit risk is appropriately reflected in the impairment allowances recognised against assets (see Note 11).

Credit risks concentration.
The Company analyzes the credit risks concentration. As of 31 December 2022, trade and other financial accounts receivable from the Company's three largest debtors amounted to UAH 171,266 thousand, or 39% of the total amount of such accounts (as of 31 December 2021 – UAH 225,758 thousand, or 41%). The management constantly monitors the situation with key debtors to ensure timely payments for the services provided by the Company.

Market risk. The Company takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, and (b) interest bearing assets and liabilities, all of which are exposed to general and specific market movements. The management sets limits on the value of risk that may be accepted for the Company, and those are monitored on a regular basis. However, the use of this approach does not prevent losses outside of these limits in the event of significant market movements.

Sensitivities to market risks disclosed below are based on a change in one factor while holding all other factors constant. In practice, this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rates and changes in foreign currency rates.

Currency risk. The Company primarily operates within Ukraine and accordingly its exposure to foreign currency risk is determined mainly by borrowings, cash balances and deposits, which are denominated in USD or EUR, and accounts receivable and accounts payable denominated in SDR. Increased domestic uncertainty led to a volatility in the currency exchange market and resulted in significant downward pressure on the Ukrainian Hryvnia relative to major foreign currencies.

All amounts in tables are in thousands of Ukrainian Hryvnia

The table below summarises the Company's exposure to the USD, SDR and EUR exchange rate risk at the end of the reporting periods:

(in thousand hryvnias)	**31 December 2022**	**31 December 2021**
Monetary financial assets	1,254,493	1,126,495
Monetary financial liabilities	(3,596,274)	(2,132,685)
Net balance sheet position	**(2,341,781)**	**(1,006,190)**

Because of this exposure, if the SDR, USD and EUR were to strengthen or weaken by 20 percent against the UAH, it would increase or decrease the Company's net financial result by UAH 384,052 thousand, respectively (as of 31 December 2021 — UAH 164,987 thousand).

Reasonably possible changes in exchange rates of other currencies would not materially impact the Company's financial results.

Interest rate risk. The Company's interest rate risk arises from bonds in issue. The Company independently sets the interest rate on its bonds in issue. Borrowings at fixed rate expose the Company to fair value interest rate risk. The Company is not actively managing its interest rate risk exposure as it is believed to be insignificant.

The maturity dates and effective interest rates of borrowings are disclosed in Note 15. Re-pricing for fixed rate financial instruments occurs at maturity.

Reasonably possible changes in market interest rates would not materially impact the Company's financial results.

Price risk. The Company is not exposed to price risk with respect to its financial statements because it has no significant investment in securities and financial instruments that would be subject to price risk.

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

Prudent liquidity risk management implies maintaining sufficient cash and other liquid financial instruments to meet existing obligations as they fall due. Currently liquidity maintenance of the Company is affected through control over accounts receivable and payable balances, and amounts spent on capital expenditure business transformation programs. The table below shows the Company's liabilities by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows.

The maturity analysis of financial liabilities at 31 December 2022 is as follows:

(in thousand hryvnias)	**Less than 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**From 5 years**
Liabilities				
Other current liabilities (line 1690)	2,174,098	-	-	-
Trade accounts payable (line 1615)	2,778,229	-	-	-
Borrowings (lines 1600 and 1510 and within the item "Current accounts payable on settlements for long-term liabilities")	1,634	159,564	740,484	133,025
Lease liability (as part of the items "Other long-term liabilities" and "Current accounts payable on settlements for long-term liabilities")	190,208	162,397	409,624	28,410
Total future payments, including principal and interest	**5,144,169**	**321,961**	**1,150,108**	**161,435**

All amounts in tables are in thousands of Ukrainian Hryvnia

The maturity analysis of financial liabilities at 31 December 2021 is as follows:

(in thousand hryvnias)	**Less than 3 month**	**From 3 months to 1 year**	**From 1 to 5 years**	**From 5 years**
Liabilities				
Other current liabilities (line 1690)	3,058,535	-	-	-
Trade accounts payable (line 1615)	1,733,721	-	-	-
Borrowings (lines 1600 and 1510 and within the item "Current accounts payable on settlements for long-term liabilities")	-	127,223	462,107	150,771
Lease liability (as part of the items “Other long-term liabilities” and “Current accounts payable on settlements for long-term liabilities”)	75,394	230,199	387,980	69,455
Total future payments, including principal and interest	**4,867,650**	**357,422**	**850,087**	**220,226**

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. At the present time, the Company does not have a formal capital management policy.

34 Subsequent events

Military invasion

As of the date of approval of these financial statements, some parts of the following regions remain temporarily occupied: Donetsk, Luhansk, Kherson, and Zaporizhia regions. About 12% of post offices are located in these territories. Currently, there are almost 7,000 operating post offices.

As part of its support, the EBRD allocated EUR 4.5 million under the grant agreement to Ukrposhta JSC for the purchase of satellite internet terminals and electric generators for the development of "points of resilience" based on a network of its own post offices. The agreement entered into force in March 2023.

Investment

The company continues to implement key strategic investment projects, in particular, automation of stationary post offices, completion of the transition to mobile offices in rural areas (with the financial support of the European Bank for Reconstruction and Development), implementation of an ERP system and upgrade of other critical IT systems.

In 2021, Ukrposhta signed contracts with contractors for the construction of sorting hubs in Kyiv, Lviv, Kharkiv, Dnipro and depot in Ivano-Frankivsk, but due to the outbreak of hostilities, the implementation of these projects was suspended indefinitely (including the termination of the contracts concluded). At the same time, the Company began to create unified operations centres in the regions by renting already available premises and gradually installs sorting equipment. This step will help increase the processing capacity of parcels and, accordingly, improve the quality of services provided to the customers.

Ukrposhta launched the first automatic parcel sorting line in April 2023. During 2023, it is planned to install 5 new sorting lines with the goal of fully switching to automated sorting throughout the country over the next year.

In 2021, the Company concluded a preliminary contract for the purchase/sale of a controlling stake in one of the private commercial banks in order to be able to provide banking services through the Company's network of post offices. The transaction will take place only subject to obtaining permission from the

National Bank of Ukraine and fulfilling other terms of the contract. As of the date of approval of these financial statements, the Company's management has not received the appropriate permits, and negotiations are underway to close this transaction.

No other significant events were identified that would require adjustments or disclosures in the Company's financial statements for the year ended 31 December 2022.

Approved for issue and signed on 24 April 2023.

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