PrJSC VF Ukraine

Interim Condensed Consolidated
Financial Statements as of and for the
Six Months Ended 30 June 2025

PrJSC VF UKRAINE

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Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders and Management of Private Joint Stock Company "VF Ukraine"

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Private Joint Stock Company "VF Ukraine" and its subsidiaries (together – the "Group") as at 30 June 2025 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Emphasis of Matter - Material uncertainty relating to going concern

We draw attention to Note 2 in the interim condensed consolidated financial statements, which highlights that since 24 February 2022 the Group's operations and cash flows are significantly affected by the invasion of Ukraine and the ongoing military offensive of the Russian Federation. The magnitude of the further developments is uncertain, including the intensity or the duration of those actions. There is also an uncertainty about the Group's ability to repay or refinance its debt if the currency control restrictions are amended or lifted and the bondholders demand the prepayment of the full principal amount of the bonds. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

LLC AF „PricewaterhouseCoopers (Audit)"

27 August 2025

Kyiv, Ukraine

Limited Liability Company Audit Firm "PricewaterhouseCoopers (Audit)"
75 Zhylyanska Str., Kyiv, 01032, Ukraine
T: +380 44 354 0404, www.pwc.com/ua

PrJSC VF UKRAINE

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2025
Amounts are in millions of Ukrainian Hryvnias unless otherwise stated

	Note	Six months ended 30 June 2025	Six months ended 30 June 2024
Service revenue	5	13 115	11 319
Sales of goods		403	388
Revenue		**13 518**	**11 707**
Cost of services	6	(3 305)	(2 656)
Cost of goods		(365)	(359)
Selling, general and administrative expenses	7	(2 853)	(2 296)
Depreciation and amortization		(2 667)	(2 387)
Losses due to war	8	(154)	(68)
Gains due to war	8	9	11
Net charge for operating expected credit losses of financial assets		(2)	(35)
Other operating income, net		226	53
Operating profit		**4 407**	**3 970**
Net charge for non-operating expected credit losses of financial assets		(216)	(125)
Finance income		95	99
Finance costs	10, 14, 15	(1 629)	(907)
Non-operating currency exchange losses, net		(168)	(552)
Other non-operating expenses		(37)	(32)
Profit before tax		**2 452**	**2 453**
Income tax expense		(747)	(499)
Profit for the period		**1 705**	**1 954**
Total comprehensive income for the period		**1 705**	**1 954**
Profit for the period attributable to:			
Owners of the parent		**1 706**	**1 955**
Non-controlling interest		**(1)**	**(1)**
Total comprehensive income for the period attributable to:			
Owners of the parent		**1 706**	**1 955**
Non-controlling interest		**(1)**	**(1)**

Signed on behalf of the Group's Management:

Olga Ustynova
Chief Executive Officer

Natalia Shevchenko
Chief Finance Officer

Olena Solovyova
Head of Department for the Financial Statements and Accounting

The notes on pages 5 to 24 form an integral part of these interim condensed consolidated financial statements.

PrJSC VF UKRAINE

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 JUNE 2025
Amounts are in millions of Ukrainian Hryvnias unless otherwise stated

	Notes	30 June 2025	31 December 2024
Assets			
Non-current assets			
Property and equipment	9	15 596	14 410
Intangible assets and goodwill	9	7 183	7 337
Right-of-use assets	10	6 844	6 414
Costs to obtain contracts		355	320
Long-term investments	12	228	-
Deferred tax assets		24	17
Total non-current assets		**30 230**	**28 498**
Current assets			
Short-term investments	12	8 162	3 312
Cash and cash equivalents	11	1 788	10 341
Trade and other receivables	13	1 131	1 483
Advances paid and prepaid expenses		536	452
Inventories		227	196
Current contract assets		9	10
Current income tax assets		4	4
Other non-financial current assets		229	334
Total current assets		**12 086**	**16 132**
Total assets		**42 316**	**44 630**
Equity and liabilities			
Equity			
Common stock		8	8
Other components of equity		2	2
Retained earnings		10 952	12 252
Equity attributable to the owners of the Company		**10 962**	**12 262**
Non-controlling interests		29	30
Total equity		**10 991**	**12 292**
Non-current liabilities			
Borrowings	15	14 626	-
Lease obligations	10	6 479	5 925
Deferred tax liabilities		526	146
Provisions	14	499	480
Contract liabilities		19	20
Total non-current liabilities		**22 149**	**6 571**
Current liabilities			
Trade and other payables	16	2 694	2 744
Contract liabilities		2 291	2 223
Lease obligations	10	1 900	1 704
Provisions	14	1 231	1 449
Borrowings	15	547	17 197
Other non-financial liabilities		300	342
Current income tax liabilities		194	88
Other financial liabilities		19	20
Total current liabilities		**9 176**	**25 767**
Total equity and liabilities		**42 316**	**44 630**

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PrJSC VF UKRAINE

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2024 AND ENDED 30 JUNE 2025
Amounts are in millions of Ukrainian Hryvnias unless otherwise stated

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Equity attributable to the parent					
	Common stock	Other components of equity	Retained earnings	Total	Non-controlling interests	Total equity
Balances at 1 January 2024	**8**	**2**	**8 705**	**8 715**	**33**	**8 748**
Profit for the period	-	-	1 955	**1 955**	(1)	**1 954**
Total comprehensive income for the period	-	-	**1 955**	**1 955**	**(1)**	**1 954**
Balances at 30 June 2024	**8**	**2**	**10 660**	**10 670**	**32**	**10 702**
FOR THE SIX MONTHS ENDED 30 JUNE 2025						
Balances at 1 January 2025	**8**	**2**	**12 252**	**12 262**	**30**	**12 292**
Profit for the period	-	-	1 706	**1 706**	(1)	**1 705**
Total comprehensive income for the period	-	-	**1 706**	**1 706**	**(1)**	**1 705**
Dividends declared	-	-	(3 006)	**(3 006)**	-	**(3 006)**
Balances at 30 June 2025	**8**	**2**	**10 952**	**10 962**	**29**	**10 991**

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PrJSC VF UKRAINE

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2025
Amounts are in millions of Ukrainian Hryvnias unless otherwise stated

	Notes	Six months ended 30 June 2025	Six months ended 30 June 2024
Cash flows from operating activities			
Profit before tax		2 452	2 453
Adjustments for:			
Depreciation and amortization		2 667	2 387
Finance income		(95)	(99)
Finance costs		1 629	907
Net currency exchange losses		124	546
Losses due to war	8	154	68
Gains due to war	8	(9)	(11)
Change in provisions		767	978
Net charge for expected credit losses of financial assets		218	160
Gain from lease termination and rent concessions		(21)	(22)
Other non-cash items, net		5	(16)
Movements in operating assets and liabilities:			
Decrease in trade and other receivables		309	113
Increase in inventory		(39)	(14)
Increase in other non-financial assets		(26)	(81)
Increase in advances paid and prepaid expenses		(84)	(42)
Increase in subscriber prepayments and deposits		67	73
(Decrease)/increase in trade and other payables and other liabilities		(470)	236
Utilized provisions	14	(1 075)	(884)
Income taxes paid		(269)	(440)
Interest received		93	78
Interest paid	10,15	(1 443)	(818)
Net cash from operating activities		**4 954**	**5 572**
Cash flows from investing activities			
Purchases of property and equipment		(2 515)	(1 691)
Purchases of intangible assets		(1 005)	(426)
Proceeds from sale of property and equipment		4	12
Investments in government bonds		(4 244)	(1 930)
Proceeds from repayment of government bonds		1 529	1 125
(Placement)/proceeds of short-term investments, net		(2 832)	232
Proceeds from other investing activity		91	-
Net cash used in investing activities		**(8 972)**	**(2 678)**
Cash flows from financing activities			
Proceeds from Borrowings	15	2 163	-
Repayment of Borrowings	15	(4 223)	-
Dividends paid	18	(2 287)	-
Lease obligation principal paid	10	(372)	(394)
Other financing activity		-	17
Net cash used in financing activities		**(4 719)**	**(377)**
Net (decrease)/increase in cash and cash equivalents		**(8 737)**	**2 517**
Cash and cash equivalents, beginning of the period	11	**10 341**	**3 707**
Effect of exchange rate changes on cash and cash equivalents		(12)	154
Expected credit losses reversed/(charged) for cash and cash equivalents		196	(74)
Cash and cash equivalents, end of the period	11	**1 788**	**6 304**

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Head of Department for the Financial Statements and Accounting

The notes on pages 5 to 24 form an integral part of these interim condensed consolidated financial statements.

1. BUSINESS DESCRIPTION

Private Joint-Stock Company "VF Ukraine" (PrJSC "VF Ukraine" or the "Company") is a company incorporated under the laws of Ukraine and having its registered address at 15, Leiptsyzka Street, 01601, Kyiv, Ukraine.

VF Ukraine is the parent company that exercises control over the following subsidiaries (together referred to as the "Group"): LLC "VF Retail" (retail sales of smartphones and other related goods), LLC "IT Smartflex" (a software developer, support and integration services provider), PLC "VFU Funding" (structured entity incorporated to issue Eurobonds), PrJSC "Farlep-Invest" (fixed-line business), LLC "Freenet" (fixed-line business), LLC "UNS" (passive tower infrastructure) and LLC "Cable TV-Finance" (telecommunications activities).

As of the reporting date, the ownership structure of the Group was presented in the following order:

- Immediate parent was represented by Telco Investments B.V. (registration number 76241823, Netherlands, Amsterdam city, 1081LA, Gustav Mahrerlaan 1212) with the ownership of 99%, the remaining 1% belonged to FDI PTT Telecom Kyiv" (registration number 20069181);
- Ultimate parent with ownership of 100% was represented by Neqsol Holding B.V. (registration number 86005154, Netherlands, Utrecht city, 3581HK, 2 Museumlaan);
- The ultimate beneficiary owner with ownership of 100% was represented by Nasib Hasanov (Republic of Azerbaijan, birth date 01.07.1957).

During 2024, the Group's intermediate parent, Telco Solutions B.V. (registration number 76101290, Netherlands, Utrecht city, 3581HK, 2 Museumlaan), was merged with the Group's immediate parent, Telco Investments B.V.

The Group provides a wide range of telecommunications services, including voice and data transmission, internet access, various value-added services ("VAS") through wireless, fixed-line services, pay TV, as well as the sale of equipment and accessories. The Group conducts its operational activity in Ukraine.

On 15 October 2015, PrJSC "VF Ukraine" signed a strategic agreement with Vodafone Sales and Services Limited ("Vodafone") on the cooperation and use of the Vodafone brand in Ukraine. Further, on 3 March 2020 and on 1 July 2024, the Company renewed the branding agreement for the periods 2020-2025 and 2025-2030, respectively, with the contractual right to extend the strategic agreement for an additional year after the 2030 end date. The extension of the Cooperation Agreement allows the further use of the Vodafone brand name in Ukraine. The Company gains access to Vodafone expertise in IT transformation, Internet of Things (IoT) and 5G-based services. In addition, Vodafone Ukraine benefits from Vodafone Global best practices in IT, network operation, as well as access to Vodafone's central procurement services and incorporate global best practices in its IT network operation.

On 6 February 2020, the Group raised funds by issuing Eurobonds ("the Notes") with a five year maturity in the amount of USD 500 million (UAH 12,259 million as of the issue date). The proceeds from the Notes issued by PLC "VFU Funding" were provided to the Company in the form of an intragroup loan, which further used the funds for the refinancing of a USD 464 million bridge facility obtained by LLC "Telco Solutions and Investments" in order to acquire Preludium B.V. (the immediate parent of PrJSC "VF Ukraine" at that time) from MTS Group. Subsequently, LLC "Telco Solutions and Investments" was terminated via merger with the Company and Telco Investments B.V. became a shareholder of PJSC "VF Ukraine" with voting shares.

In alignment with the Group's strategic goals to advance its telecommunications business, specifically, enhancing fixed-line and converged services, and to create a more cohesive and integrated organizational structure, the Company has resolved to merge LLC "Freenet" with another legal entity of the Group. This merger is anticipated to be completed during the 2026 financial year. By combining resources, the Group intends to enhance its ability to innovate and respond more effectively to market demands.

In May 2024, in alignment with the Company's strategy to enhance resource utilization, the Company has resolved to wind down its subsidiary, LLC "Cable TV-Finance" and to integrate the subsidiary's assets and liabilities with those of the Company. The subsidiary is nearing the end of its liquidation process.

In November 2023, the Company established a new subsidiary, Limited Liability Company "Ukrainian Network Solutions" (LLC "UNS"). The Company is the sole 100% participant in LLC "UNS". LLC "UNS" was established for the purpose of carving out and servicing the Company's passive tower infrastructure. LLC "UNS's" core business includes construction and servicing of telecommunication structures, leasing out of own passive infrastructure constructions, other construction, installation and specialised works.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, and should be read in conjunction with the annual consolidated statements of the Group for the year ended 31 December 2024.

These interim condensed consolidated financial statements are unaudited and do not include all the information and disclosures required in the annual IFRS financial statements. The Group omitted disclosures which would substantially duplicate the information contained in annual consolidated financial statements for the year ended 31 December 2024, such as accounting policies and details of accounts which have not changed significantly in amount or composition. Additionally, the Group has provided disclosures of significant events that occurred subsequent to the issuance of its annual consolidated statements of the Group for the year ended 31 December 2024.

Management believes that the disclosures in these interim condensed consolidated financial statements are adequate to make the presented information not misleading if these interim condensed consolidated financial statements are read in conjunction with the annual consolidated statements of the Group for the year ended 31 December 2024 and the notes related thereto. In the opinion of management, the interim condensed consolidated financial statements reflect all adjustments necessary to present fairly the Group's consolidated financial position, consolidated financial performance and consolidated cash flows for the interim reporting period in accordance with IAS 34 "*Interim Financial Reporting*". Results as of and for the six months ended 30 June 2025 are not necessarily indicative of the results that may be expected for the year ending 31 December 2025.

These interim condensed consolidated financial statements are prepared on a historical cost basis, unless disclosed otherwise. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Amounts in these consolidated financial statements are stated in millions of Ukrainian Hryvnias ("UAH million"), unless indicated otherwise.

Going concern

On 24 February 2022, the Russian Federation started an unprovoked full-scale military offensive in Ukraine. This was followed up by the immediate enactment of martial law by the government of Ukraine and the corresponding introduction of the related temporary restrictions that impact the economic environment.

Since the Russian military invasion of Ukraine is taking place from multiple directions, some regions of Ukraine remain under intense hostilities or temporary occupation. The Group operates and provides services throughout Ukraine's controlled territories. These events have a material adverse effect on the Ukrainian economy and consequently, on the Group's business, financial condition, and results of operations.

As at the date of the issue of these financial statements, no critical assets preventing the Group from continuing operations have been damaged.

Since 24 February 2022, network and base station equipment have been constantly monitored, especially in areas of mass downtime. Traffic redistribution, capacity addition and other measures designed to restore network coverage and maintain a reasonable level of network performance are being carried out. The Group performs the necessary maintenance and repair work, as well as network optimization using both existing equipment, including equipment from the reserve fund, and external supplies. The availability of the network during mass power outages due to damage to the energy infrastructure during hostilities is regulated by the Group's measures aimed at ensuring the operability of the network. Purchase and installation of additional batteries and mobile generators, which are much better suited to these critical operating conditions, were carried out, partner and own generators were used to increase equipment operation time at critical sites.

The Group has continued to invest in IT and cybersecurity to protect its customers' data from cyber threats, ensure the resilience of the network, and prevent emerging technical outages.

As of 30 June 2025, the Group was in compliance with all debt covenants. Management has reached the goal of servicing the Group's financial liabilities in a timely manner in accordance with the debt agreement at the time of the scheduled interest payment due dates. In response to the moratorium on cross-border foreign currency payments imposed by the National Bank of Ukraine (NBU), the Group restructured its debt in February 2025. For further details on the restructuring, refer to Note 15. Restructuring terms include that noteholders retain the right to redeem their Notes at par. This option can be exercised by each noteholder once the NBU's cross-border foreign currency payment restrictions are amended or lifted, or if the Group obtains and maintains the necessary authorization from the NBU or any relevant agency in Ukraine to prepay the loan by the payment date. The Group must notify noteholders when such authorization is obtained or when relevant changes to payment controls occur.

The Group has taken appropriate actions to ensure the continuity of communication services and operations. Management has prepared and reviewed the updated financial forecast, including cash flow projections, for the twelve months from the date of approval of these interim condensed consolidated financial statements, taking into consideration the most likely and possible downside scenarios for the ongoing business impacts of the war. This forecast was based on the following key assumptions:

- the scope of the territories of Ukraine invaded by Russian troops will not increase significantly;
- the Group will be able to carry out maintenance and repair work to maintain a reasonable level of network performance in those territories of Ukraine where it is possible from the point of view of the physical security of technical specialists;
- the Group will be able to secure continuity of its critical IT infrastructure in accordance with the measures taken by management and incident response and disaster recovery plans;
- the amount of revenue from sales of services and goods will allow the Group to cover the level of operating expenses and the necessary capital investments;
- the conditional put option will not be exercised by the noteholders.

This forecast indicates that taking account of reasonably possible downsides, management has a reasonable expectation that the Group has sufficient resources to manage the business for the next twelve months from the date of these interim condensed consolidated financial statements. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

Management has reviewed the Group's ability to continue as a going concern at the date of issue of these interim condensed consolidated financial statements and has concluded that there is material uncertainty about further significant escalation in hostilities that can disrupt infrastructure and the Group's operations, and the Group's ability to repay or refinance its debt if the currency control restrictions are amended or lifted and noteholders demand prepayment of the full principal amount of the bonds, which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

The management of the Group has concluded that it is appropriate to prepare the interim condensed consolidated financial statements on a going concern basis.

Identifying the cash-generating unit and impairment test

The Group is required to perform impairment tests for cash-generating units (CGU) with goodwill at least once per year and whenever indicators of impairment arise.

Following the acquisition of LLC "Freenet" (also referred to as "Freenet") that was completed on 23 August 2023 , as of 31 December 2023 the Group considered two cash-generating units: the core mobile business with integrated fixed business and Freenet. During 2024, the Group undertook several key initiatives, including management integration, infrastructure migration, staff transfers, joint investment projects, and implementing a unified customer service policy across its subsidiaries, LLC "Freenet" and PrJSC "Farlep-Invest". These efforts align with the Group's plans to introduce converged services and reorganize by merging LLC "Freenet" with another fixed-line subsidiary, PrJSC "Farlep-Invest", into a single business unit. Consequently, as of 31 December 2024, the Group performed an impairment test for its core mobile business with integrated fixed business, combined with Freenet's operations as its future business activities are in convergence with the rest of the Group and its cash flows are considered as the extension of the core mobile business with integrated fixed business as a single identified CGU.

Respectively, goodwill allocated initially to Freenet has been reallocated to the CGU of the core mobile business with integrated fixed business during the measurement period after the acquisition. The converged services to be implemented in Freenet are anticipated to create synergies between mobile and fixed-line businesses. These synergies are expected to benefit the core mobile business by at least the amount of the outstanding goodwill balance as of 30 June 2025, which is UAH 250 million. This benefit mainly arises from the extended mobile subscribers' average expected period of customer relationships due to the implementation of these services.

In June 2025, the Ukrainian government suspended payments on certain sovereign obligations (GDP-linked warrants), which is considered a partial sovereign default. The Group assessed whether the partial sovereign default constitutes a new external indicator of impairment for the CGU. Management concluded that, as the default relates to Ukraine's external debt and has not had a direct impact on the CGU's operations to date, local market conditions and the CGU's cash flow projections remain largely unchanged. Accordingly, the Group has not identified any definitive external or internal sources of information indicating impairment.

The key inputs used in the latest impairment model for the CGU were also reviewed. The financial performance of the CGU for the first half of 2025 was better than what was included in the scenario of the latest impairment test. The pre-tax discount rate increased; however, it remained within the range covered by the sensitivity analysis performed as part of the impairment test as of 31 December 2024. This suggests that if the test has been conducted at the reporting date, the recoverable amount would have exceeded the carrying amount of non-current assets as of 31 December 2024. The results of the latest impairment test, as of 31 December 2024, are provided in this note.

Management considered both individual impairment of specific assets and impairment of the identified cash-generating unit (CGU).

Management analysed the assets located in areas with intense military activity or on temporarily occupied territories as of 31 December 2024 and the reporting date and posted 100% impairment for such assets, being mainly network and base station equipment (Note 8). In the liberated territories, the Group regained access to certain assets and evaluated their condition, resulting in a partial reversal of the impairment provision. However, ongoing military activities near the liberated area have prevented the Group from accessing all such assets, making it impossible to examine their condition and reassess the impairment provision.

For the identified CGU - the core mobile business with integrated fixed business, management performed the impairment test as of 31 December 2024 and the recoverable amount was estimated to be higher than the carrying amount, thus no economic impairment of the cash-generating unit was recognized on both reporting dates. The recoverable amount has been determined based on value in use estimation.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and excludes the risks specific to the asset. The pre-tax discount rate used in the impairment test as of 31 December 2024 comprised 24.4%, for the terminal period the Group used the discount rate of 16.3%, which reflects a lower risk profile related to future economic conditions.

The Group based its impairment test on the most recent budgets and long-term forecast calculations. These budgets and forecast calculations for the purposes of impairment testing cover a period of five years based on sustainability and development factors that could be estimated with reasonable certainty for the telecommunication business. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 4.7%.

The growth rate does not exceed the long-term average growth rate for the telecommunication sector of the economy in which the CGU operates. Reasonably possible changes in the estimated growth rate do not impact the result of the impairment test.

The Group assessed the key assumptions used to determine the recoverable amount for the CGU. The values assigned to the key assumptions represent management's assessment of future trends in the business and migration of the population. Management also considered different macroeconomic factors, including inflation and USD/UAH exchange rate. No impairment losses were identified as a result of impairment testing at the reporting date. The recoverable amount exceeds the carrying amount by UAH 6 809 million.

Management also calculated the sensitivity of key estimates used for the impairment test being pre-tax discount rate and proceeds from sales of services, which is primarily a function of customer base and ARPU, and goods, included in cash flow forecasts in each scenario. The sensitivity analysis disclosed below shows changes in key assumptions that would cause the recoverable amount of the CGU to be less than its carrying amount at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant except for the change in capital expenditures which are linked to proceeds from sales included in cash flow forecasts. The sensitivity analysis may not be representative of an actual change in the recoverable amount of the CGU as it is unlikely that changes in assumptions would occur in isolation from one another.

Changes in key assumptions that would cause the recoverable amount of the CGU to be less than its carrying amount at the end of the reporting period:

	Change in key assumption
Proceeds from sales of services and goods included in cash flow forecasts	Decrease by 4.5%
Discount rate	Increase by 3.8 p.p.

Basis of consolidation

These interim condensed consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved only where the Company has power over the entity, is exposed and has rights to variable returns, and is able to use the power to affect its amount of variable returns. The results of the controlled entities acquired or disposed of during the reporting period are included in these condensed consolidated financial statements from the date the Group achieves control over the entity, or until the date on which the Company ceases to control the entity. If necessary, the accounting policies of controlled entities are aligned with the accounting policy applied by the Group. All intra-group assets and liabilities, and equity, income, expenses and cash flows are eliminated on consolidation.

Functional currency

The functional currency of the Company and its subsidiaries is Ukrainian Hryvnia. Foreign-currency transactions are translated into the functional currency at the exchange rates at the dates of the transactions. At the reporting date, monetary items denominated in foreign currencies are translated at the closing rate, whereas non-monetary items are stated at the exchange rate at the date of their recognition. The subsequent unrealized gain or loss from remeasuring the foreign currency item into the functional currency is recognized in profit or loss.

Ownership of subsidiaries

Ownership interests in the Group's subsidiaries were the following:

	Accounting method	**30 June 2025**	**31 December 2024**
LLC "VF Retail"	Consolidated	100%	100%
LLC "IT Smartflex	Consolidated	100%	100%
LLC "Cable TV-Finance"	Consolidated	100%	100%
PrJSC "Farlep-Invest"	Consolidated	99.9%	99.9%
LLC "Freenet"	Consolidated	90.6%	90.6%
LLC "UNS"	Consolidated	100%	100%
PLC "VFU Funding" *	Consolidated	0.0%	0.0%

* Starting from 6 February 2020 the Group consolidated VFU Funding PLC, a special purpose entity (the "SPE"), incorporated in England and Wales for the purpose of issuing the Notes (Note 15). The Group has no legal ownership of the SPE but exercises control over the entity according to the requirements of IFRS 10 *Consolidated Financial Statements*. The Group will cease consolidation of VFU Funding PLC after the repayment date of the Notes.

Standards, interpretations and amendments adopted on 1 January 2025

None of the interpretations and amendments to standards adopted by the Group on 1 January 2025 had a significant effect on the Group's interim condensed consolidated financial statements.

Standards and Interpretations in issue, but not yet effective

At the date of authorization of these interim condensed consolidated financial statements, the following standards and interpretations, as well as amendments to the standards that have been issued and are mandatory for the annual periods beginning on or after 1 January 2026 or later, and which the Group has not early adopted:

- IFRS 10 *Consolidated Financial Statements*, IAS 28 *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* - effective date to be determined by the IASB;
- IFRS 18 *The Presentation and Disclosure in Financial Statements* – requirements for the presentation and disclosure of information in financial statements - the standard is effective for annual reporting periods beginning on or after 1 January 2027;
- IFRS 19 *Subsidiaries without Public Accountability: Disclosures* was issued by the IASB on 9 May 2024 and is effective for periods beginning on or after 1 January 2027;
- On 30 May 2024, the IASB issued *Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)* to address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9 'Financial Instruments'. The amendments are effective for reporting periods beginning on or after 1 January 2026;
- On 18 December 2024, the IASB issued *Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)* to help companies better report the financial effects of nature-dependent electricity contracts, which are often structured as power purchase agreements (PPAs). The amendments are effective for reporting periods beginning on or after 1 January 2026.
- On 18 July 2024 the IASB issued *Annual Improvements to IFRS Accounting Standards — Volume 11*. This set of amendments includes clarifications, simplifications, corrections, and changes aimed at improving the consistency of several IFRS Accounting Standards. The pronouncement comprises the following amendments, which are effective for annual periods beginning on or after 1 January 2026:
    - IFRS 1: Hedge accounting by a first-time adopter;
    - IFRS 7: Gain or loss on derecognition;
    - IFRS 7: Disclosure of deferred difference between fair value and transaction price;
    - IFRS 7: Introduction and credit risk disclosures;
    - IFRS 9: Lessee derecognition of lease liabilities;
    - IFRS 9: Transaction price;
    - IFRS 10: Determination of a "de facto agent";
    - IAS 7: Cost method.

Management is currently evaluating the impact of the adoption of these standards and interpretations, as well as the amendments to the standards. The management believes that these changes will likely have no material effect on the Group.

Significant accounting policies and estimates

The accounting policies and method of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated statements of the Group for the year ended 31 December 2024.

New significant accounting policies, if any, adopted during the interim period are disclosed within the relevant notes to these interim condensed consolidated financial statements.

3. SEASONALITY

The Group does not view its business as highly seasonal as defined by IAS 34, *Interim Financial Reporting*. The financial results of the Group are insignificantly impacted by seasonality throughout the calendar year: higher consumption of roaming services in May-September mostly due to vacation period and increased demand for handsets and accessories at the year-end before winter holidays increase revenue from services and sales of goods for the second half of the year. During the war some seasonal trends which were typical for the business may vary.

4. SEGMENT INFORMATION

The Group's Executive committee (chief operating decision makers or "CODM"), consisting of the chief executive officer and the senior management team, examines the Group's performance and has identified one reportable segment of its business, which encompasses services rendered to customers across Ukraine, including voice and data services, fixed-line services, retail sales of phones, smartphones and other related goods (Note 5).

The Executive committee uses a measure of revenue and operating income before depreciation and amortisation ("OIBDA") to assess the performance of the operating segment. Management defines OIBDA as profit before interest, tax, depreciation, amortization and non-operating impairment, net foreign exchange gains or losses and other gains/losses from the consolidated statement of profit or loss and other comprehensive income.

Additional key performance indicators used by CODM are OIBDA margin, calculated as OIBDA divided by revenue, reflects the efficiency of the Group's operating activities. Capital expenditures ("CapEx") represent the Group's investments in infrastructure development and network expansion. CapEx reflects cash outflows related to the acquisition of property and equipment, and intangible assets, which are critical for maintaining and expanding the Group's operations.

Financial information of the reportable segment comprised the following:

	Six months ended 30 June 2025	**Six months ended 30 June 2024**
Revenue	**13 518**	**11 707**
OIBDA	**7 175**	**6 408**
OIBDA margin, %	53.1%	54.7%
Depreciation and amortization	(2 667)	(2 387)
Operating currency exchange gains, net	44	6
Losses due to war	(154)	(68)
Gains due to war	9	11
Operating profit	**4 407**	**3 970**
CapEx	**3 520**	**2 117**

5. SERVICE REVENUE

Service revenue comprised the following:

	Six months ended 30 June 2025	**Six months ended 30 June 2024**
Revenue from mobile subscribers	10 796	9 189
Interconnect revenue	1 235	1 151
Revenue from fixed business	527	388
Roaming revenue	348	344
Other revenue	209	247
Total service revenue	**13 115**	**11 319**

6. COST OF SERVICES

Cost of services comprised the following:

	Six months ended 30 June 2025	**Six months ended 30 June 2024**
Electricity and other production costs	1 314	991
Radio frequency usage tax	685	518
Interconnect expenses	573	543
Salaries	326	277
Roaming expenses	179	162
Social contributions	54	48
Other expenses	174	117
Total cost of services	**3 305**	**2 656**

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Total selling, general and administrative expenses for the six months ended 30 June 2025 amounted to UAH 2 853 million (for the six months ended 30 June 2024: UAH 2 296 million).

Selling expenses comprised the following:

	Six months ended 30 June 2025	Six months ended 30 June 2024
Salaries	443	348
Dealers commission	219	211
Advertising and marketing expenses	189	223
Social contributions	87	66
Other expenses	57	38
Total selling expenses	**995**	**886**

General and administrative expenses comprised the following:

	Six months ended 30 June 2025	Six months ended 30 June 2024
Salaries	876	727
Consulting expenses	334	170
Billing and data processing	215	161
General office expenses	178	173
Social contributions	105	75
Other personnel expenses	103	69
Taxes other than income tax	39	30
Other expenses	8	5
Total general and administrative expenses	**1 858**	**1 410**

8. LOSSES AND GAINS DUE TO WAR, NET

Losses and gains due to war comprised the following:

	Six months ended 30 June 2025	Six months ended 30 June 2024
Electricity charges on non-controlled territories	72	48
Estimated provision and actual disposal of damaged or destroyed property and equipment	63	7
Impairment loss on property and equipment in non-controlled territories (Note 9)	12	13
Modification of lease obligations (Note 10)	7	-
Reversal of impairment of property and equipment (Note 9)	(4)	(9)
Impairment loss on right-of-use assets (Note 10)	(4)	(1)
Changes in estimates in provision for decommissioning and restoration (Note 14)	(1)	(1)
Total losses due to war, net	**145**	**57**

The Group identified assets and liabilities in non-controlled territories (NCT) which consist of occupied territories and areas with intense military actions. The table above discloses only losses and gains related to assets located on NCT or liabilities arising on NCT, direct losses due to damaged or destroyed assets on controlled territories. The Group lacks the ability to direct the use of these assets to obtain the economic benefits generated by them at the reporting date, therefore respective assets have been fully impaired. Part of the recognised impairment was reversed after the liberation of the occupied Ukrainian territories in the Donetsk, Zaporizhzhia, Sumy and Kherson oblasts. These transactions are not controlled by the Group.

Electricity charges on the Group's property on non-controlled territories were recognised due to the changes in judicial practice in 2023 and updated legal grounds for substantiating the obligation of PJSC

"VF Ukraine" to Ukrainian electricity suppliers to pay for electric energy consumed by third parties in the occupied territories during the period of occupation. The Group continues to monitor legislative developments on this matter.

The Group considers the war started by the Russian Federation against Ukraine caused significant losses to the Group. Moreover, real economic losses due to the Russian invasion are considered much higher than accounting losses recognized in accordance with IFRS Accounting Standards.

9. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS AND GOODWILL

The movements of property and equipment were the following:

	Network and base station equipment	**Land and buildings**	**Office equipment, vehicles and other**	**Construction in progress and equip-ment for installation**	**Total**
1 January 2025	**10 662**	**383**	**1 316**	**2 049**	**14 410**
Additions	750	9	11	1 630	**2 400**
Transferred into use	1 591	2	144	(1 737)	**-**
Depreciation	(869)	(10)	(158)	-	**(1 037)**
Disposals (net book value)	(134)	(22)	(4)	(9)	**(169)**
Impairment loss due to war (Note 8)	(12)	-	-	-	**(12)**
Impairment loss due to war reversed (Note 8)	4	-	-	-	**4**
30 June 2025	**11 992**	**362**	**1 309**	**1 933**	**15 596**

The movements of intangible assets were the following:

	Licences	**Billing software and other**	**Other**	**Goodwill**	**Total**
1 January 2025	**4 269**	**1 883**	**915**	**270**	**7 337**
Additions	449	632	254	-	**1 335**
Transferred into use	-	113	(113)	-	**-**
Amortization	(242)	(797)	**-**	-	**(1 039)**
Disposals (net book value)	(444)	(6)	**-**	-	**(450)**
30 June 2025	**4 032**	**1 825**	**1 056**	**270**	**7 183**

The management believes that as of 30 June 2025, the Group complied with the conditions of all licences as due to war the legislation allows to postpone deadlines for some licensing requirements till the later period after completion of military actions.

Other intangible assets include prepayments for non-current assets.

As of 30 June 2025, the goodwill is part of the core mobile business with the integrated fixed business CGU and has a carrying amount of UAH 270 million. The Group concluded that no impairment of any of goodwill should be recognised as of 30 June 2025.

10. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

The table below represents changes in the Group's right-of-use assets for the six months ended 30 June 2025:

	Sites for placement of network and base station equipment	Exclusive rights for trademarks	Retail store and other	Administ-rative buildings	Total
1 January 2025	**4 419**	**1 725**	**173**	**97**	**6 414**
Additions	240	-	3	4	**247**
Lease modifications	669	-	21	14	**704**
Depreciation	(264)	(157)	(45)	(28)	**(494)**
Disposals (net book value)	(19)	-	(4)	-	**(23)**
Modification of right-of-use assets on non-controllable territories	(4)	-	-	-	**(4)**
30 June 2025	**5 041**	**1 568**	**148**	**87**	**6 844**

The table below represents changes in the Group's lease obligations for the six months ended 30 June 2025:

	Lease obligations
1 January 2025	**7 629**
New obligations arising during the six months ended 30 June 2025	247
Reassessment/modifications of existing leases	712
Termination of leases	(28)
Modification of liabilities on non-controllable territories	(7)
Rent concessions	(23)
Accrued interest	546
Payment of principal	(372)
Payment of interest	(546)
Currency exchange losses	221
30 June 2025	**8 379**

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

	30 June 2025	31 December 2024
Cash on current accounts	1 690	2 970
Short-term deposits	100	7 576
Cash in transit and on hand	26	19
Allowance for ECL	(28)	(224)
Total cash and cash equivalents	**1 788**	**10 341**

Term bank deposits and other short-term highly liquid investments with an initial maturity of less than three months are classified as cash equivalents. Other short-term highly liquid investments are treated as cash equivalents only if they are held for the purpose of meeting short-term cash commitments and strengthening the Group's foreign currency position, are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

Cash and cash equivalents comprised the following currencies:

	Interest rates	30 June 2025	Interest rates	31 December 2024
Cash on current bank accounts, on hand and in transit:				
Euro *(in Ukrainian Hryvnia equivalent)*	-	523	-	658
Ukrainian Hryvnia	0-12.0%	913	0-10.5%	1 275
USD *(in Ukrainian Hryvnia equivalent)*	-	280	-	1 056
Allowance for ECL		(28)		(53)
Short-term bank deposits:				
USD *(in Ukrainian Hryvnia equivalent)*	-	-	0.1-3.5%	7 267
Ukrainian Hryvnia	7.0%	100	6.9%	100
Euro *(in Ukrainian Hryvnia equivalent)*	-	-	0.2%	209
Allowance for ECL		-		(171)
Total cash and cash equivalents		**1 788**		**10 341**

Cash and cash equivalents are held mainly in large Ukrainian and European banks that have a reliable reputation. As of 30 June 2025, 98% of cash and cash equivalents were held in four banks – subsidiaries of the large international banking groups (31 December 2024: 83%).

The analysis of cash and cash equivalents and short-term investments by credit quality based on Moody's rating agencies comprised the following:

	30 June 2025		31 December 2024	
	Cash and cash equivalents	Financial investments (Note 12)	Cash and cash equivalents	Financial investments (Note 12)
Aa3 rating	4	-	6	-
A1 rating	95	-	2 239	-
Ca rating	1 133	5 638	3 490	1 331
Non-rated*	584	3 205	4 830	2 022
Allowance for ECL	(28)	(453)	(224)	(41)
Total	**1 788**	**8 390**	**10 341**	**3 312**

* Non-rated banks rank in the top 10 Ukrainian banks by size of total assets and capital (per data from the National Bank of Ukraine).

The allowance for expected credit losses (ECL) is recognized based on the probability of default of banks and the Ukrainian government. The difference between the ECL provision as of the reporting date and the comparative period arose as a result of the revaluation of the ECL provision. The main changes are related to a decrease in cash and short-term deposits with maturities of up to three months. There were no write-offs of cash and cash equivalents or other changes in the ECL provision.

12. FINANCIAL INVESTMENTS

Long-term investments comprise government bonds which have original maturities of longer than twelve months.

Short-term investments represent term deposits and government bonds, which have original maturities of longer than three months and are repayable in less than twelve months. Any investment or term deposit with an initial maturity of more than three months does not become a cash equivalent when the remaining maturity period is reduced to under three months.

Financial investments comprised the following:

	Deposit rates	30 June 2025	Deposit rates	31 December 2024
Euro *(in Ukrainian Hryvnia equivalent)*	3.16%	280	-	-
Allowance for ECL		(52)		-
Total long-term government bonds		**228**		**-**

USD *(in Ukrainian Hryvnia equivalent)*	4.54-4.66%	3 694	2.75-3%	1 331
Allowance for ECL		(179)		(10)
Total short-term government bonds		**3 515**		**1 321**
USD *(in Ukrainian Hryvnia equivalent)*	0.10-0.35%	4 818	0.30-0.35%	2 022
Ukrainian Hryvnia	10.0%	51	-	-
Allowance for ECL		(222)		(31)
Total short-term deposits		**4 647**		**1 991**
Total long-term investments		**228**		**-**
Total short-term investments		**8 162**		**3 312**

As of 30 June 2025, all long-term investments relate to Ukrainian government bonds issued by the Ministry of Finance of Ukraine.

Short-term investments are held mainly in large Ukrainian banks that have a reliable reputation. As of 30 June 2025, 57% of short-term investments are placed in five banks – subsidiaries of large international banking groups, and 43% of short-term investments are related to Ukrainian government bonds issued by the Ministry of Finance of Ukraine (31 December 2024: 60% of short-term investments are held in the three banks – subsidiaries of the large international banking groups and 40% of short-term investments relate to Ukrainian government bonds issued by Ministry of Finance of Ukraine).

The allowance for expected credit losses (ECL) is recognized based on the probability of default of banks and the Ukrainian government. The increase in the ECL allowance was due to an increase in the balance of short-term deposits, which led to a corresponding revaluation of credit risk and an adjustment to the allowance amount.

13. TRADE AND OTHER RECEIVABLES

Trade and other receivables are carried at amortized cost. The carrying value of all trade receivables is reduced by appropriate allowances for expected credit losses ("ECL").

The Group applies a simplified approach for trade receivables from subscribers, estimating ECL based on the lifetime expected credit losses. The allowance for ECL on receivables from subscribers is calculated using a provision matrix. Provision rates are determined based on the number of days past due for groupings of customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome and considers all reasonable and supportable information available as of the reporting date, including past events, current conditions, and forecasts of future economic conditions. Generally, receivables from subscribers are considered fully impaired when past due for more than 180 days.

ECL on receivables other than from subscribers is measured on an individual basis based on past information (historical losses) and forward-looking information, when available. Receivables other than from subscribers are written-off upon the expiration of the limitation period or before based on results of internal analysis.

The Group receives volume discounts under roaming agreements with international mobile operators and accounts for discounts received as a reduction of roaming expenses. The resulting receivable is recognized within trade and other receivables in the consolidated statement of financial position. Such receivables usually are settled within 16 months.

Trade and other receivables comprised the following:

	30 June 2025	31 December 2024
Roaming	710	989
Subscribers	325	300
Interconnect	286	276
Dealers	11	8
Other trade receivables	69	79
Allowance for ECL	(285)	(276)
Total trade receivables	**1 116**	**1 376**
Cash balance in distressed bank	247	247
Financial aid and loan provided to related parties (see Note 18)	23	116
Other receivables	15	14
Allowance for ECL	(270)	(270)
Total other receivables	**15**	**107**
Total trade and other receivables	**1 131**	**1 483**

Most of the Group's trade receivable balances from subscribers are settled within 30-45 days. Before accepting any new contract and corporate customer, the Group assesses the potential customer's credit quality and defines credit limits separately for each individual customer.

14. PROVISIONS

The movements of provisions were the following:

	Provision for decom-missioning and restoration	Employee bonuses and other rewards	Material rights	Social contri-butions	Other provisio ns	Total
At 31 December 2024	**276**	**1 176**	**63**	**35**	**379**	**1 929**
Current	-	972	63	35	379	**1 449**
Non-current	276	204	-	-	-	**480**
Arising during the period	2	518	187	36	288	**1 031**
Utilised	-	(644)	(192)	(29)	(210)	**(1 075)**
Unwinding of discount	21	-	-	-	-	**21**
Change in estimates	19	-	-	-	-	**19**
Change in estimate due to war	(1)	-	-	-	-	**(1)**
Unused amounts reversed	(1)	(41)	-	(7)	(138)	**(187)**
Translation adjustments and other	-	(7)	-	-	-	**(7)**
At 30 June 2025	**316**	**1 002**	**58**	**35**	**319**	**1 730**
Current	-	819	58	35	319	**1 231**
Non-current	316	183	-	-	-	**499**

15. BORROWINGS

Borrowings are initially recorded at fair value plus transaction costs that are directly attributable to the issuance of financial liability. Further, the borrowings are carried at amortized cost using the effective interest method.

Borrowings are derecognised when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

An assessment is performed to determine whether the terms of a financial liability have been substantially modified. This assessment includes both quantitative and qualitative considerations. Qualitative considerations involve an analysis of the broader contractual changes and their implications, which may indicate that the modified terms are significantly different in substance from the original arrangement, even if the quantitative threshold is not met.

The Group's borrowings comprised the following:

	30 June 2025	**31 December 2024**
Notes	12 890	17 196
Related party borrowings - immediate parent	2 282	-
Other	1	1
Total borrowings	**15 173**	**17 197**
Less: current portion	(547)	(17 197)
Total borrowings, non-current	**14 626**	**-**

The changes in the Group's borrowings comprised the following:

1 January 2025	**17 197**
Related party borrowings proceeds	2 163
Accrued interest	679
Notes repurchased and cancelled	(4 223)
Payment of interest	(514)
Notes repurchase gains	(2)
Currency exchange gains	(166)
Other changes to related party borrowings	39
30 June 2025	**15 173**

The maturity analysis of borrowings disclosed in the table below represents undiscounted cash flows. Future cash flows were translated using the exchange rate as of 30 June 2025:

Due within three months	598
Due from three months to twelve months	598
Due from 1 year to 5 years	16 481
Total	**17 677**

On 6 February 2020, the Group raised funds by issuing Eurobonds (the "Notes") through a structured entity, PLC "VFU Funding". The Notes had a five year term and amounted to USD 500 million (UAH 12 259 million as of the date of the issue) with a coupon rate of 6.2%. At initial recognition, the Notes were accounted for at fair value less transaction costs that were directly attributable to the issue. Subsequently, the financial liability was measured at amortized cost using the effective interest rate method (approximate effective interest rate is 7.1%).

During 2020-2022, the Group repurchased and cancelled the Notes in the amount of USD 100 million (UAH 2 807 million).

In response to the moratorium on cross-border foreign currency payments imposed by the National Bank of Ukraine (NBU), the Group restructured its debt of USD 400 million in February 2025. The Group reached a restructuring agreement with the following terms: the repayment date was extended to 11 February 2027, and the coupon rate increased to 9.625% per annum starting from 11 February 2025. In February 2025, the Group made a partial repayment of USD 99.88 million (UAH 4 161 million).

The revised terms resulted in a substantial modification of the liability, assessed based on qualitative factors. The agreement introduced covenant amendments, including a requirement to maintain a minimum liquidity of USD 150 million, increasing to USD 200 million from 11 August 2025.

Additionally, noteholders retained the right to redeem their Notes at par once cross-border foreign currency payment restrictions imposed by the NBU are amended or lifted, or if the Group obtains and maintains the necessary authorization from the NBU or another relevant authority to make early repayments. The Group is required to notify noteholders once such authorization is granted or the relevant payment restrictions are revised.

At the date of renegotiation, the liability was nearing its original maturity. Its term was extended for a significant additional period, with the revised interest rate reflecting the current market rate for instruments with similar terms and conditions.

Considering the factors mentioned, the Group accounted for the transaction as an extinguishment of the original financial liability and the recognition of a new financial liability in accordance with IFRS 9. Fees and transaction costs incurred in connection with the derecognition of the original financial liability, were recognised immediately in profit or loss as part of the loss on extinguishment. Consent and other related fees amounted to USD 9 million (UAH 382 million) and were presented as finance costs. The new financial liability was measured at amortized cost using the effective interest rate method (effective interest rate is equal to the nominal interest rate).

During the first half of 2025, the Group repurchased the Notes in the amount of USD 1.5 million (UAH 62 million).

In February 2025, the Group obtained a USD 49.6 million (equivalent of UAH 2 069 million) loan from its immediate parent Telco Investments B.V., which was credited to its foreign bank account. The loan bears a fixed interest rate of 10% per annum and is repayable in 2028. The loan was used to partially redeem the Notes and remains outstanding as of the date of these interim condensed consolidated financial statements.

In June 2025, the Group also concluded an agreement with its immediate parent Telco Investments B.V. for a credit facility payable in US dollars for the equivalent of UAH 660 million. The credit facility bears a fixed interest rate of 10% per annum and is repayable in 2028. As of the date of these interim condensed consolidated financial statements the Group received USD 2 million (UAH 94 million), which was deposited into the Group's foreign bank account to be used for Notes repayment.

The Group has complied with all debt covenants as of 30 June 2025 and during the respective reporting period.

To manage currency risk and purchase foreign currency, the Group has made investments into government bonds issued by the Ministry of Finance of Ukraine denominated in USD and Euro (Note 12).

16. TRADE AND OTHER PAYABLES

Trade and other payables comprised the following:

	30 June 2025	31 December 2024
Accounts payable for property, equipment and intangible assets	872	1 189
Dividends payable (Note 18)	719	-
Trade accounts payable	617	1 184
Accrued liabilities	265	210
Accrued payroll and vacation	221	161
Total trade payables	**2 694**	**2 744**

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group applies a fair value hierarchy to its financial assets and liabilities and other areas, such as asset impairment assessments, according to the best information available. The application of the fair value hierarchy results in the valuation measurement of the underlying asset or liability, from there how the Group either intends to recover the asset or liability (e.g., sell, settle or hold to maturity), determines where and how that fair value is recorded in our consolidated financial statements.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets include, in particular, cash and cash equivalents, trade and other receivables, investments (mainly deposits with an original maturity of more than three months). Financial liabilities generally substantiate claims for repayment in cash or another financial asset. In particular, this includes borrowings, trade and other payables, lease obligations. Financial instruments are recognized as soon as the Group becomes a party to the contractual provision of the instrument.

Fair values of financial assets and liabilities carried at amortized cost as of 30 June 2025 and 31 December 2024 approximated their carrying amounts (except for the Notes).

The Group estimated the fair value of the Notes using the Level 2 valuation technique based on quoted market prices as of 30 June 2025 in the amount of UAH 11 922 million (carrying amount: UAH 12 890 million), as of 31 December 2024 in the amount of UAH 15 844 million (carrying amount: UAH 17 196 million).

18. RELATED PARTIES

Related parties include shareholders of the Group, the Group's immediate parent company, the Group's indirect parent companies, entities under common control and ownership with the Group as well as key management personnel.

Terms and conditions of transactions with related parties

Outstanding balances as of 30 June 2025 and 31 December 2024 were unsecured and settlements are made on a cash basis.

Balances from and to related parties comprised the following:

	30 June 2025	**31 December 2024**
Entities under common control and ownership with the Group	28	131
ECL on the Entities under common control and ownership with the Group	(23)	(23)
Total other receivables from related parties	**5**	**108**
Entities under common control and ownership with the Group	49	57
Advances paid and prepaid expenses	**49**	**57**
Entities under common control and ownership with the Group	75	37
Advances paid for PPE	**75**	**37**
Total advances paid and prepaid expenses	**124**	**94**
Entities under common control and ownership with the Group	56	493
Total provisions, trade and other payables to related parties	**56**	**493**
The Group's immediate parent company	2 282	-
Borrowings	**2 282**	**-**
The Group's immediate parent company	689	-
Entities under common control and ownership with the Group	30	-
Dividends payable	**719**	**-**

The Group's declared dividends comprised the following:

	Six months ended 30 June 2025	Six months ended 30 June 2024
The Group's immediate parent company	2 976	-
Entities under common control and ownership with the Group	30	-
Dividends declared	**3 006**	**-**

In line with the Ukraine government's currency liberalisation strategy, starting from May 2025 the Group resumed monthly dividend payments of Euro 1 million to support partial repayment of the Notes.

For the six months ended 30 June 2025, dividends in the amount of UAH 2 287 million were paid to Telco Investments B.V. Dividends paid were subject to withholding tax in accordance with applicable tax legislation. The total amount of withholding tax withheld and remitted to the tax authorities amounted to UAH 114 million.

In 2025, the Group's immediate parent, Telco Investments B.V., provided several loans to the Group to support partial repayment of the Notes. For further details, refer to Note 15.

Transactions related to purchases of non-current assets comprised the following:

	Six months ended 30 June 2025	Six months ended 30 June 2024
Entities under common control and ownership with the Group	273	342
Total purchases of property and equipment and intangible assets from related parties	**273**	**342**

Turnovers with related parties comprised the following:

	Six months ended 30 June 2025	Six months ended 30 June 2024
Entities under common control and ownership with the Group	4	4
Total service revenue from related parties	**4**	**4**
Entities under common control and ownership with the Group	(35)	(38)
Total costs of services with related parties	**(35)**	**(38)**
Entities under common control and ownership with the Group	(293)	(186)
Total selling, general and administrative expenses with related parties	**(293)**	**(186)**
Entities under common control and ownership with the Group	-	4
Total finance income with related parties	**-**	**4**

Remuneration of key management personnel

Key management personnel of the Group includes members of the Executive Committee and Supervisory Board. During the year ended 30 June 2025 the short-term key management personnel's total compensation amounted to UAH 98 million that include salaries, social contributions, sick pay, bonuses, termination and other benefits-in-kind (six months ended 30 June 2024: UAH 108 million). The senior management team and other governance bodies are also entitled to profit-sharing bonus payments. Related compensation accrued during the reporting year amounted to UAH 304 million (six months ended 30 June 2024: UAH 299 million) with the balance as at 30 June 2025 UAH 802 million (31 December 2024: UAH 928 million).

19. COMMITMENTS AND CONTINGENCIES

Capital commitments

As of 30 June 2025, the Group had unexecuted purchase agreements of approximately UAH 3 239 million to network equipment, tangible and intangible assets that were still in progress (31 December 2024: UAH 3 791 million).

Taxation

Application of taxes and duties in Ukraine is regulated by the Tax Code of Ukraine. The taxes applicable to the Company's activity include VAT, income tax (profits tax), a fee for the use of radio frequency resource of Ukraine, payroll (social) taxes and others. Transactions with non-resident related parties may be subject to transfer pricing compliance, in case the transactions with related non-resident per year exceed UAH 10 million.

Compliance with tax and customs legislation is subject to review and investigation by a number of authorities, which are enabled by law to collect unpaid liability as well as impose penalties and fines. Since Ukrainian tax law and practice are relatively new with little existing precedent, the tax authority's approaches and interpretation may rapidly change, compared to the countries with more stable and developed tax systems.

Generally, according to Ukrainian tax legislation, the tax period remains open for tax audits for three years after the respective tax return submission and seven years for transfer pricing verification. In the case of submitting corrections to CIT return, tax audits cover only related transactions. As of 30 June 2025 open periods for tax audits are from 1 July 2021 and further reporting periods, as for transfer pricing issues from 1 January 2013.

The management analyses and monitors the Group transactions on a regular basis and believes they fully comply with the applicable tax laws.

Legal proceedings

The Group actively monitors legislative and regulatory changes and takes all necessary measures to ensure their timely implementation, considering the market conditions in which it operates. This includes continuous assessment of regulatory developments and adaptation of internal policies and procedures to align with evolving requirements. While regulatory frameworks may be subject to varying interpretations and enforcement practices, management believes that the risk of material adverse events arising from differing interpretations of regulatory requirements remains minimal.

Management believes that any potential liabilities arising from unasserted claims, including those related to compliance obligations, if any, will not have a material adverse effect on the Group's consolidated financial position, results of operations, or cash flows beyond the provisions recognized in these consolidated financial statements. The Group remains committed to regulatory compliance and proactively addresses potential risks through ongoing monitoring and risk mitigation strategies.

Operating environment

On February 24, 2022, Russia launched a large-scale military invasion of Ukraine, which has a material adverse effect on the Ukrainian economy, people and, accordingly, the Group's business, financial condition and results of operations. As at the date of these interim condensed consolidated financial statements, the hostilities are ongoing, but it is appropriate to note the following events:

- The Group operates one of the largest communication networks in the country of Ukraine. It has been targeted by the Russian military in order to weaken overall communications in the country. In some parts of the country, the network is not operating any longer due to significant infrastructure damage.
- Martial law was imposed in Ukraine on 24 February 2022. The banking system has restricted certain types of transactions. In 2025, the Ukrainian authorities continued a gradual easing of certain currency restrictions aimed at supporting economic activity, while maintaining a controlled investment environment.
- While the network has been targeted, the Group has worked tirelessly to keep the network running and repair it when damaged. Maintenance and restoration activities have been ongoing to ensure a reasonable level of network performance. Additionally, the Group continues to invest in network expansion and capacity enhancements through new infrastructure development.

- Tax payments to government authorities have continued, however, cash outflows have been actively managed and controlled to maximise the conservation of cash.
- The Group continues to pay its employees, many of which have been dislocated but continue to work remotely, except for those that are involved in maintenance and operations of the network.
- The Group has not, at the date of these interim condensed consolidated financial statements, been able to take a full inventory of its assets, including network, buildings and other infrastructure, to make a full assessment of the damage done.
- The war has resulted in the significant displacement of Ukrainian citizens, mostly to the adjacent countries in the European Union. The gradual return of migrants will contribute to the revival of consumer demand, and investments will increase significantly during the country's reconstruction phase.

During the first half of 2025, the hryvnia showed moderate volatility, remaining relatively stable against the US dollar due to the NBU's active participation in the FX market. The NBU continued its policy of managed exchange rate flexibility. The foreign exchange market was additionally supported by a high level of international reserves and external financing inflows. While the hryvnia experienced more pronounced fluctuations against the Euro, largely reflecting global EUR/USD trends, short-term volatility remained contained. Under these conditions, the national currency remained under control, and fluctuations were limited.

The following table summarizes the exchange rates of UAH against USD and Euro:

	USD/UAH	**EUR/UAH**
31 December 2024	42.04	43.93
30 June 2025	41.64	48.78
Average rate for 6m 2024	39.01	42.19
Average rate for 6m 2025	41.63	45.47

In 2024, the government continued its liberalisation policy. Businesses were allowed to purchase and transfer foreign currency abroad for importing works and services; to repatriate dividends on corporate interest or shares abroad accrued based on the performance results for the period starting from 1 January 2024 and to transfer funds abroad to pay interest on “old” external loans with the interest payments falling due after 24 February 2022, according to the loan agreements. In May 2025, NBU introduced further amendments to foreign exchange regulations, easing certain restrictions while tightening others. These measures are aimed at attracting new foreign capital, stimulating foreign economic activity and gradually normalizing the foreign exchange market without putting additional pressure on international reserves or the exchange rate.

In the first half of 2025, consumer inflation in Ukraine showed a moderate upward trend. However, inflationary pressure began to ease, supported by the NBU’s monetary policy measures, improved energy conditions, the inflow of seasonal agricultural output, and moderate external price pressures. According to the NBU's updated macroeconomic forecast, inflation is expected to moderate to 9.7% by the end of 2025.

During the first half of 2025, the National Bank of Ukraine increased the key interest rate gradually from 13.5% to 15.5%, citing inflationary risks and underlying economic indicators as reasons for tightening monetary. Yields on one-year hryvnia domestic government bonds fluctuated in response, reflecting elevated inflationary pressures and the NBU’s policy stance.

Economic growth in real GDP terms in the first half of 2025 remained moderate, reflecting business adaptation to wartime conditions. According to forecasts, GDP is expected to grow by 3.1% y-o-y this year as projected by the National Bank of Ukraine or 2.7% according to the Ministry of Economy.

In the first half of 2025, Ukraine continued to receive foreign financial assistance, with the state budget receiving almost USD 18 billion. These funds were used to support the budget, restore critical infrastructure, make social payments, and ensure the country's defence capability. Foreign support remains crucial for maintaining economic stability amid the ongoing military actions.

The Ministry of Energy of Ukraine reported stable operation of the power system without scheduled outages, supported by ongoing repairs and strengthened protection of energy infrastructure. However, the situation remains challenging due to the impact of continued attacks.

In the first half of 2025, the intensity of Russian missile and drone attacks increased, including targeted strikes on Kyiv and other major cities. These attacks have impacted the overall business environment, contributing to operational challenges for companies in Ukraine.

Management will continue to monitor the potential impact of the events in Ukraine and will take all steps possible to mitigate any effects.

20. SUBSEQUENT EVENTS

The Russian invasion and other events in Ukraine

The war with Russia and the daily damage being done to Ukraine represents significant uncertainty. As of the authorization date of these interim condensed consolidated financial statements, the Group is not in a position to fully assess the complete damage done to its affected network and asset infrastructure in the territories of Ukraine that remain under intense hostilities or temporary occupation, its workforce or how much time and cost will be required to repair it. The Group is also not able to forecast how long the war will last, its potential to become even more intensive or the impact of migration on its operations.

The buyback of Eurobonds and semi-annual interest payment

In July-August 2025 the Group redeemed and cancelled additional Notes for the total amount of USD 6.4 million face value (UAH 268 million). In August 2025, the Group paid its semi-annual interest payment that was due of USD 14 million (UAH 583 million). The Group continues to participate in Notes repurchase tenders.

Loan from related party

In July 2025, the Group concluded an agreement with a related party for a credit facility for the amount of USD 10 million. The Group received USD 6.3 million (UAH 262 million), which was deposited into the Group’s foreign bank account to be used for Notes repayment and was fully repaid at the date of these interim condensed consolidated financial statements.

Dividend payment

In July-August 2025, the Group paid dividends in the total amount of UAH 97 million.

Joint project on a submarine cable system construction across the Black Sea

In August 2025, the Group committed to participate in a joint project that involves the construction of a new submarine cable system across the Black Sea, linking Ukraine to the international transit route between Europe and Asia. The system will connect Bulgaria, Ukraine, Georgia, and Turkey, with completion expected within five years and the total cost to be incurred by the Group estimated to EUR 65 million.

21. AUTHORISATION OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were authorized for issue by the Management of the Group on 27 August 2025.