

LLC “Nokia Solutions and Networks Ukraine”

Financial Statements in Accordance with
Ukrainian Accounting Standards
for the Year Ended 31 December 2020

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	1-3
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020:	
Balance sheet (statement of financial position)	4-5
Statement of financial results (statement of comprehensive income)	6-7
Statement of cash flows (under direct method)	8-9
Statement of changes in equity	10-11
Notes to the financial statements	12-21
Explanatory notes to the financial statements	22-45

INDEPENDENT AUDITOR'S REPORT

To shareholders of Limited Liability Company "NOKIA SOLUTIONS AND NETWORKS UKRAINE":

Opinion

We have audited the financial statements of Limited Liability Company "NOKIA SOLUTIONS AND NETWORKS UKRAINE" (the "Company"), which comprise the balance sheet (statement of financial position) as of 31 December 2020, and the statement of financial results (statement of comprehensive income), the statement of changes in equity, and the statement of cash flows (under direct method) for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Ukrainian Accounting Standards ("UAS") and the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" in respect of the financial statements preparation (the "Law on Accounting and Financial Reporting").

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the report on management, 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 do 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 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 UAS and the Law on Accounting and Financial Reporting, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, 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's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to 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.

Basic information about audit firm

Full name: LIMITED LIABILITY COMPANY "DELOITTE & TOUCHE UKRAINIAN SERVICES COMPANY".

Address of registration and location of the audit firm: 48, 50a Zhylianska Str., Kyiv, 01033, Ukraine.

"Limited Liability Company "Deloitte & Touche Ukrainian Services Company" was enrolled to Sections of "Audit Entities", "Audit Entities and Auditors That Have the Right to Conduct Statutory Audits of Financial Statements", and "Audit Entities and Auditors That Have the Right to Conduct Statutory Audits of Financial Statements of Public Interest Entities" of the Register of Auditors and Auditing Entities of the Audit Chamber of Ukraine under # 1973".

LLC "Deloitte & Touche USC"

Certified Auditor



Margarita Postupaieva

Auditor's Certificate # 007637

Issued by the Audit Chamber of Ukraine on 22 February 2018
on the basis of Resolution of the Audit Chamber of Ukraine # 355/2,
Registration Number in the Register of Auditors and Auditing Entities 102407

LLC "Deloitte & Touche Ukrainian Services Company"
48, 50a Zhylianska Str., Kyiv, 01033, Ukraine

31 May 2021

LLC "NOKIA SOLUTIONS AND NETWORKS UKRAINE"

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

AS OF 31 DECEMBER 2020

(in Ukrainian Hryvnias and in thousands)

Assets	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
I. Non-current assets			
Intangible assets	1000	15	286
Historical cost	1001	1,137	1,462
Accumulated amortization	1002	(1,122)	(1,176)
Capital investments in progress	1005	377	377
Property and equipment	1010	15,692	12,129
Historical cost	1011	31,112	30,318
Accumulated depreciation	1012	(15,420)	(18,189)
Non-current accounts receivable	1040	803	940
Deferred tax assets	1045	284	210
Total on Section I	1095	17,171	13,942
II. Current assets			
Inventories	1100	32,152	28,845
Production inventories	1101	26,683	27,895
Work in progress	1102	5,469	937
Merchandise	1104	-	13
Accounts receivable on products, goods, works, services	1125	107,111	87,633
Accounts receivable on settlements:			
On advances issued	1130	401	294
With the state budget	1135	175	175
Including income taxes	1136	-	-
Accounts receivables on settlements on income accrued	1140	2,485	11
Other current accounts receivable	1155	67	20
Cash and cash equivalents	1165	73,252	104,948
Accounts in banks	1167	73,252	89,948
Prepaid expenses	1170	879	482
Other current assets	1190	4,308	2,553
Total on Section II	1195	220,830	224,961
III. Non-current assets held for sale and disposal groups	1200	-	-
TOTAL ASSETS	1300	238,001	238,903

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

AS OF 31 DECEMBER 2020 (CONTINUED)

(in Ukrainian Hryvnias and in thousands)

Equity and liabilities	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
I. Equity			
Registered (share) capital	1400	20,346	20,346
Retained earnings (uncovered loss)	1420	101,180	111,215
Total on Section I	1495	121,526	131,561
II. Non-current liabilities and provisions			
Deferred tax liabilities	1500	-	-
Total on Section II	1595	-	-
III. Current liabilities and provisions			
Short-term borrowings from banks	1600	-	-
Current accounts payable on:			
Non-current liabilities	1610	-	-
Goods, works, services	1615	54,667	52,515
Settlements with the state budget	1620	14,921	11,702
Including income taxes	1621	207	1,655
Staff costs	1630	70	98
Current accounts payable on advances received	1635	-	-
Current accounts payable on settlements with participants	1640	42,571	37,600
Current provisions	1660	4,235	5,409
Other current liabilities	1690	11	18
Total on Section III	1695	116,475	107,342
IV. Liabilities attributable to non-current assets held for sale and disposal groups	1700	-	-
TOTAL EQUITY AND LIABILITIES	1900	238,001	238,903

Director



Balychev Y. Y.

LLC "NOKIA SOLUTIONS AND NETWORKS UKRAINE"

STATEMENT OF FINANCIAL RESULTS (STATEMENT OF COMPREHENSIVE INCOME) FOR THE YEAR ENDED 31 DECEMBER 2020 (in Ukrainian Hryvnias and in thousands)

I. FINANCIAL RESULTS

Items	Line code	Reporting period	Respective period of the prior year
1	2	3	4
Net revenue from sale of products (goods, works, services)	2000	258,032	273,425
Cost of products sold (goods, works, services)	2050	(79,056)	(87,225)
Gross:			
Profit	2090	178,976	186,200
Loss	2095	-	-
Other operating income	2120	23,970	13,597
Administrative expenses	2130	(167,704)	(178,750)
Distribution costs	2150	-	-
Other operating expense	2180	(22,520)	(33,396)
Financial results from operating activities:			
Profit	2190	12,722	-
Loss	2195	-	(12,349)
Other finance income	2220	222	-
Other income	2240	236	46
Finance costs	2250	-	(354)
Other expense	2270	(166)	(4,069)
Financial result before tax:			
Profit	2290	13,014	-
Loss	2295	-	(16,726)
Income tax (expense)/ benefit	2300	(2,362)	77
Net financial result:			
Profit	2350	10,652	-
Loss	2355	-	(16,649)

II. COMPREHENSIVE INCOME

Items	Line code	Reporting period	Respective period of the prior year
1	2	3	4
Revaluation increase (decrease) in the value of non-current assets	2400	-	-
Revaluation increase (decrease) in the value of financial instruments	2405	-	-
Cumulative exchange differences	2410	-	-
Share in other comprehensive income of associates and joint ventures	2415	-	-
Other comprehensive income	2445	-	-
Other comprehensive income before tax	2450	-	-
Income taxes attributable to other comprehensive income	2455	-	-
Other comprehensive income after tax	2460	-	-
Comprehensive income (total of lines 2350, 2355, and 2460)	2465	10,652	(16,649)

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

**STATEMENT OF FINANCIAL RESULTS (STATEMENT OF COMPREHENSIVE INCOME)
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)
(in Ukrainian Hryvnias and in thousands)**

III. ELEMENTS OF OPERATING EXPENSE

Items	Line code	Reporting period	Respective period of the prior year
1	2	3	4
Material expenditures	2500	14,719	42,530
Staff costs	2505	104,172	101,942
Social charges	2510	14,884	13,541
Depreciation and amortization	2515	3,987	5,818
Other operating expense	2520	123,914	135,540
Total	2550	261,676	299,371

IV. RATIOS OF PROFITABILITY PER SHARE

Items	Line code	Reporting period	Respective period of the prior year
1	2	3	4
Average annual number of ordinary shares	2600	-	-
Adjusted average annual number of ordinary shares	2605	-	-
Net earnings (losses) per ordinary share	2610	-	-
Adjusted net earnings (losses) per ordinary share	2615	-	-
Dividends per ordinary share	2650	-	-

Director



Balychev Y. Y.

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

STATEMENT OF CASH FLOWS (UNDER DIRECT METHOD) FOR THE YEAR ENDED 31 DECEMBER 2020 (in Ukrainian Hryvnias and in thousands)

Items	Line code	Reporting period	Respective period of the prior year
1	2	3	4
I. Cash flows from operating activities			
Cash inflows from:			
Sales of products (goods, works, services)	3000	339,035	289,489
Special purpose funding	3010	316	416
Proceeds on return of advances	3020	-	19
Proceeds on interest on current bank account balances	3025	1,420	4,493
Proceeds on operating leases	3040	-	21
Other proceeds	3095	118	355
Cash outflows to:			
Goods (works, services)	3100	(154,640)	(145,490)
Staff costs	3105	(81,447)	(80,163)
Social charges	3110	(15,840)	(14,772)
Liabilities on taxes and duties	3115	(55,419)	(61,754)
Income taxes	3116	(1,465)	(5,765)
Value added tax	3117	(33,523)	(35,529)
Other taxes and duties	3118	(20,431)	(20,460)
Prepayments made	3135	(102)	(334)
Return of advances	3140	-	-
Other expenditures	3190	(1,682)	(5,137)
Net cash flow from operating activities	3195	31,758	(12,857)
II. Cash flows from investing activities			
Proceeds on sale of:			
Financial investments	3200	-	-
Non-current assets	3205	281	52
Proceeds on the received:			
Interest	3215	-	-
Dividends	3220	-	-
Proceeds on derivatives	3225	-	-
Proceeds on borrowings repaid	3230	-	-
Proceeds on disposal of a subsidiary and other business unit	3235	-	-
Other proceeds	3250	-	-
Purchase of:	3255	-	-
Financial investments		-	-
Non-current assets	3260	(1,369)	(2,005)
Payments under derivatives	3270	-	-
Expenditures on granting loans	3275	-	-
Expenditures on purchase of a subsidiary and other business unit	3280	-	-
Other payments	3290	-	-
Net cash flow from investing activities	3295	(1,088)	(1,953)

LLC "NOKIA SOLUTIONS AND NETWORKS UKRAINE"

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(in Ukrainian Hryvnias and in thousands)

Items	Line code	Registered (share) capital	Revaluation reserve	Additional capital	Reserve capital	Retained earnings (uncovered loss)	Unpaid capital	Withdrawn capital	Total
1	2	3	4	5	6	7	8	9	10
Balance at the beginning of the year	4000	20,346	-	-	-	101,180	-	-	121,526
Adjustments for:									
Changes in accounting policies	4005	-	-	-	-	-	-	-	-
Correction of errors	4010	-	-	-	-	(617)	-	-	(617)
Other changes	4090	-	-	-	-	-	-	-	-
Adjusted balance at the beginning of the year	4095	20,346	-	-	-	100,563	-	-	120,909
Net profit (loss) for the reporting period	4100	-	-	-	-	10,652	-	-	10,652
Other comprehensive income for the reporting period	4110	-	-	-	-	-	-	-	-
Distribution of profit:									
Payments to equity holders (dividends)	4200	-	-	-	-	-	-	-	-
Allocation of profit to registered capital	4205	-	-	-	-	-	-	-	-
Charges to reserve capital	4210	-	-	-	-	-	-	-	-
Contributions of equity holders:									
Contributions to equity	4240	-	-	-	-	-	-	-	-
Repayment of equity liabilities	4245	-	-	-	-	-	-	-	-
Withdrawal of capital:									
Redemption of shares (stakes)	4260	-	-	-	-	-	-	-	-
Resale of treasury shares (stakes)	4265	-	-	-	-	-	-	-	-
Cancellation of treasury shares (stakes)	4270	-	-	-	-	-	-	-	-
Withdrawal of stakes in equity	4275	-	-	-	-	-	-	-	-
Other changes in equity	4290	-	-	-	-	-	-	-	-
Total changes in equity	4295	-	-	-	-	10,652	-	-	10,652
Balance at the end of the year	4300	20,346	-	-	-	111,215	-	-	131,561

Director



Balychev Y. Y.

LLC "NOKIA SOLUTIONS AND NETWORKS UKRAINE"

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019
(in Ukrainian Hryvnias and in thousands)

Items	Line code	Registered (share) capital	Revaluation reserve	Additional capital	Reserve capital	Retained earnings (uncovered loss)	Unpaid capital	Withdrawn capital	Total
1	2	3	4	5	6	7	8	9	10
Balance at the beginning of the year (unaudited)	4000	20,346	-	-	-	117,829	-	-	138,175
Adjustments for:									
Changes in accounting policies	4005	-	-	-	-	-	-	-	-
Correction of errors	4010	-	-	-	-	-	-	-	-
Other changes	4090	-	-	-	-	-	-	-	-
Adjusted balance at the beginning of the year	4095	20,346	-	-	-	117,829	-	-	138,175
Net profit (loss) for the reporting period	4100	-	-	-	-	(16,649)	-	-	(16,649)
Other comprehensive income for the reporting period	4110	-	-	-	-	-	-	-	-
Distribution of profit:									
Payments to equity holders (dividends)	4200	-	-	-	-	-	-	-	-
Allocation of profit to registered capital	4205	-	-	-	-	-	-	-	-
Charges to reserve capital	4210	-	-	-	-	-	-	-	-
Contributions of equity holders:									
Contributions to equity	4240	-	-	-	-	-	-	-	-
Repayment of equity liabilities	4245	-	-	-	-	-	-	-	-
Withdrawal of capital:									
Redemption of shares (stakes)	4260	-	-	-	-	-	-	-	-
Resale of treasury shares (stakes)	4265	-	-	-	-	-	-	-	-
Cancellation of treasury shares (stakes)	4270	-	-	-	-	-	-	-	-
Withdrawal of stakes in equity	4275	-	-	-	-	-	-	-	-
Other changes in equity	4290	-	-	-	-	-	-	-	-
Total changes in equity	4295	-	-	-	-	(16,649)	-	-	(16,649)
Balance at the end of the year	4300	20,346	-	-	-	101,180	-	-	121,526

Director

Balychev Y. Y.

LLC "NOKIA SOLUTIONS AND NETWORKS UKRAINE"

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(in Ukrainian Hryvnias and in thousands)

I. Intangible assets

Groups of intangible assets	Line code	Balance at the beginning of the year		Additions during the year	Revaluation (surplus +, devaluation -)		Disposals during the year		Amortization accrued during the year	Impairment losses for the year	Other changes during the year		Balance at the end of the year	
		Historical (revalued) cost	Accumulated amortization		Historical (revalued) cost	Accumulated amortization	Historical (revalued) cost	Accumulated amortization			Historical (revalued) cost	Accumulated amortization	Historical (revalued) cost	Accumulated amortization
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Rights to use natural resources	010	-	-	-	-	-	-	-	-	-	-	-	-	-
Property rights	020	-	-	-	-	-	-	-	-	-	-	-	-	-
Trademark rights	030	-	-	-	-	-	-	-	-	-	-	-	-	-
Industrial property rights	040	-	-	-	-	-	-	-	-	-	-	-	-	-
Copyrights and related rights	050	-	-	-	-	-	-	-	-	-	-	-	-	-
	060	-	-	-	-	-	-	-	-	-	-	-	-	-
Other intangible assets	070	1,137	1,122	325	-	-	-	-	54	-	-	-	1,462	1,176
Total	080	1,137	1,122	325	-	-	-	-	54	-	-	-	1,462	1,176
Goodwill	090	-	-	-	-	-	-	-	-	-	-	-	-	-

From Line 080 Column 14	Cost of intangible assets with restricted ownership rights	(081)	-
	Cost of intangible assets pledged as collateral	(082)	-
	Cost of internally generated intangible assets	(083)	-
From Line 080 Column 5	Cost of intangible assets acquired at the cost of special purpose financing	(084)	-
From Line 080 Column 15	Accumulated amortization of intangible assets with restricted ownership rights	(085)	-

LLC "NOKIA SOLUTIONS AND NETWORKS UKRAINE"

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)
(in Ukrainian Hryvnias and in thousands)

II. Property and equipment

Groups of property and equipment	Line code	Balance at the beginning of the year		Additions during the year	Revaluation (surplus +, devaluation -)		Disposals during the year		Depreciation charge for the year	Impairment losses	Other changes for the year		Balance at the end of the year		Including			
		Historical (revalued) cost	Accumulated depreciation		Historical (revalued) cost	Accumulated depreciation	Historical (revalued) cost	Accumulated depreciation			Historical (revalued) cost	Accumulated depreciation	Received under finance leases		Transferred to operating leases			
													Historical (revalued) cost	Accumulated depreciation	Historical (revalued) cost	Accumulated depreciation	Historical (revalued) cost	Accumulated depreciation
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Land plots	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment property	105	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenditure on land improvement	110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings, constructions, and transmitting devices	120	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Machinery and equipment	130	7,960	4,319	423	-	-	257	217	1,551	-	-	-	8,126	5,653	-	-	-	-
Vehicles	140	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tools, instruments, and fixtures (furniture)	150	8,159	6,895	-	-	-	915	789	1,132	-	-	-	7,244	7,238	-	-	-	-
Livestock	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Perennial plants	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other fixed assets	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Library stock	190	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Low-value non-current tangible assets	200	1,395	1,390	113	-	-	158	158	117	-	-	-	1,350	1,349	-	-	-	-
Temporary constructions	210	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Natural resources	220	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Returnable containers	230	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leased items	240	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other non-current tangible assets	250	13,598	2,816	-	-	-	-	-	1,133	-	-	-	13,598	3,949	-	-	-	-
Total	260	31,112	15,420	536	-	-	1,330	1,164	3,933	-	-	-	30,318	18,189	-	-	-	-

LLC "NOKIA SOLUTIONS AND NETWORKS UKRAINE"

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)
(in Ukrainian Hryvnias and in thousands)

II. Property and equipment (continued)

From Line 260 Column 14	Cost of property and equipment for which there is a restriction of ownership rights in accordance with the effective legislation	(261)	-
	Cost of property and equipment pledged as collateral	(262)	-
	Net book value of temporarily idle assets (conservation, reconstruction, etc.)	(263)	473
	Historical (revalued) cost of fully depreciated property and equipment	(264)	11,480
	Leased property and equipment of integral property complexes	(2641)	-
From Line 260 Column 8	Cost of property and equipment held for sale	(265)	-
	Net book value of property and equipment disposed as a result of extraordinary events	(2651)	-
From Line 260 Column 5	Cost of property and equipment acquired by using special purpose funds	(266)	-
	Cost of property and equipment received under operating leases	(267)	24,409
From Line 260 Column 15	Accumulated depreciation of property and equipment for which there is a restriction of ownership rights	(268)	-
From Line 105 Column 14	Cost of investment property measured at fair value	(269)	-

III. Capital investments

Items	Line code	For the year	At the end of the year
1	2	3	4
Construction in progress	280	-	-
Acquisition (construction) of property and equipment	290	423	377
Acquisition (construction) of other non-current tangible assets	300	113	-
Acquisition (creation) of intangible assets	310	325	-
Acquisition (creation) of non-current biological assets	320	-	-
Other	330	-	-
Total	340	861	377

From Line 340 Column 3	Capital investments to investment property	(341)	-
	Finance costs included in capital investments	(342)	-

IV. Financial investments

Items	Line code	For the year	At the end of the year	
			Non-current	Current
1	2	3	4	5
A. Financial investments accounted under the equity method in:				
Associates	350	-	-	-
Subsidiaries		-	-	-
Joint ventures		-	-	-
B. Other financial investments in:				
Stakes and shares in contributed capital of other entities	380	-	-	-
Shares	390	-	-	-
Bonds	400	-	-	-
Other	410	-	-	-
Total (Section A + Section B)	420	-	-	-

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (in Ukrainian Hryvnias and in thousands)

IV. Financial investments (continued)

From Line 1035 Column 4 of Balance Sheet (Statement of Financial Position)

Other non-current financial investments presented at:

Cost	(421)	-
Fair value	(422)	-
Amortized cost	(423)	-

From Line 1160 Column 4 of Balance Sheet (Statement of Financial Position)

Cost	(424)	-
Fair value	(425)	-
Amortized cost	(426)	-

V. Income and expense

Items	Line code	Income	Expense
1	2	3	4
A. Other operating income and expense			
Operating leases of assets	440	-	-
Operating foreign exchange difference	450	21,911	13,499
Sale of other current assets	460	-	-
Penalties, fines, forfeits	470	-	383
Maintenance of housing and utility, social and cultural units	480	-	-
Other operating income and expense	490	2,059	8,638
Including:			
Charges to provision for doubtful debt	491	X	-
Non-productive expense and losses	492	X	-
B. Income and expense from equity participation in investments in:			
Associates	500	-	-
Subsidiaries	510	-	-
Joint ventures	520	-	-
C. Other finance income and expense			
Dividends	530	-	X
Interest	540	X	-
Finance leases	550	-	-
Other finance income and expense	560	222	-
D. Other income and expense			
Sale of financial investments	570	-	-
Income on business combination	580	-	-
Result of impairment assessment	590	-	-
Non-operating foreign exchange difference	600	-	-
Assets received free of charge	610	-	X
Write-off of non-current assets	620	X	166
Other income and expense	630	236	-

Exchange (barter) transactions with products (goods, works, services)	(631)	-
Share in revenues from sale of products (goods, works, services) under exchange (barter) contracts with related parties, %	(632)	-
From Lines 540-560 Column 4 Finance costs included in cost of sales of products from primary activities	(633)	-

LLC "NOKIA SOLUTIONS AND NETWORKS UKRAINE"

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)
 (in Ukrainian Hryvnias and in thousands)

VI. Cash and cash equivalents

Items	Line code	At the end of the year
1	2	3
Cash on hand	640	-
Current bank accounts	650	89,948
Other bank accounts (letters of credit, check books)	660	-
Cash in transit	670	-
Cash equivalents	680	15,000
Total	690	104,948

From Line 1090 Column 4 of Balance Sheet (Statement of Financial Position) Restricted cash (691) _____ -

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)
(in Ukrainian Hryvnias and in thousands)

VII. Provisions and reserves

Types of provisions and reserves	Line code	Balance at the beginning of the year	Increase during the reporting period		Provisions used during the year	Provisions reversed on the amount unused in the reporting period	Expected recovery of losses by other parties included in the provision valuation	Balance at the end of the year
			Provision accrued	Additional charges				
1	2	3	4	5	6	7	8	9
Provision for unused vacations	710	2,658	8,579	-	6,994	-	-	4,243
Provision for subsequent expense on additional retirement benefits	720	-	-	-	-	-	-	-
Provision for subsequent expense on guarantee obligations	730	-	-	-	-	-	-	-
Provision for subsequent restructuring expense	740	-	-	-	-	-	-	-
Provision for subsequent expense under onerous contract liabilities	750	-	-	-	-	-	-	-
Provision for other expenses and payments	760	1,577	5,755	-	6,166	-	-	1,166
	770	-	-	-	-	-	-	-
Provision for doubtful debts	775	3,089	-	-	-	-	-	3,089
Total	780	7,324	14,334	-	13,160	-	-	8,498

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)
(in Ukrainian Hryvnias and in thousands)

VIII. Inventories

Items	Line code	Carrying amounts at the end of the year	Revaluation during the year	
			Increase in net realizable value*	Loss in value
1	2	3	4	5
Raw materials and supplies	800	62	-	-
Purchased semi-finished products and component parts	810	-	-	-
Fuel	820	6	-	-
Containers and packaging inventory	830	-	-	-
Construction materials	840	-	-	-
Spare parts	850	27,827	-	-
Agricultural materials	860	-	-	-
Current biological assets	870	-	-	-
Low-value items	880	-	-	-
Work in progress	890	937	-	-
Finished goods	900	-	-	-
Merchandise	910	13	-	-
Total	920	28,845	-	-

From Line 920 Column 3	Carrying value of inventories:		
	Presented at net realizable value	(921)	-
	Transferred to processing	(922)	-
	Pledged as collateral	(923)	-
	Transferred to commission	(924)	-
Assets at custodial storage (off-balance account 02)		(925)	-
From Line 1200 Column 4 of Balance Sheet (Statement of Financial Position) Inventories held for sale		(926)	-

* Determined according to Paragraph 28 of Ukrainian Accounting Standard 9 “Inventory”.

IX. Accounts receivable

Items	Line code	Total at the end of the year	Including by past due aging		
			Up to 12 months	From 12 to 18 months	From 18 to 36 months
1	2	3	4	5	6
Accounts receivable on goods, works, services	940	87,633	15,786	-	-
Other current accounts receivable	950	20	-	-	-

Irrecoverable accounts receivable written off in the reporting year	(951)	-
From Lines 940 and 950 Column 3 Accounts receivable from related parties	(952)	16,440

X. Shortages and losses on inventory damage

Items	Line code	Amount
1	2	3
Identified (written off) shortages and losses during the year	960	11
Recognized as liabilities of responsible persons in the reporting year	970	-
Shortages and losses for which responsible persons were not identified at year end (off-balance sheet account 072)	980	12

LLC "NOKIA SOLUTIONS AND NETWORKS UKRAINE"

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (in Ukrainian Hryvnias and in thousands)

XI. Construction contracts

Items	Line code	Amount
1	2	3
Income on construction contracts during the reporting year	1110	-
Accounts due at the end of the reporting year:		
Gross by customers	1120	-
Gross to customers	1130	-
Advances received	1140	-
Cash withheld at the end of the year	1150	-
Cost of works performed by subcontractors under construction contracts in progress	1160	-

XII. Income taxes

Items	Line code	Amount
1	2	3
Current income tax	1210	2,288
Deferred tax assets:		
At the beginning of the reporting year	1220	284
At the end of the reporting year	1225	210
Deferred tax liabilities:		
At the beginning of the reporting year	1230	-
At the end of the reporting year	1235	-
Included into Statement of Financial Results – Total	1240	2,362
Including:		
Current income tax	1241	2,288
Decrease (increase) in deferred tax assets	1242	74
Increase (decrease) in deferred tax liabilities	1243	-
Presented in equity – Total	1250	-
Including:		
Current income tax	1251	-
Decrease (increase) in deferred tax assets	1252	-
Increase (decrease) in deferred tax liabilities	1253	-

XIII. Utilization of depreciation and amortization charges

Items	Line code	Amount
1	2	3
Charged during the reporting year	1300	3,987
Utilized during the year – Total	1310	861
Including for:		
Construction	1311	-
Acquisition (construction) and improvement of property and equipment	1312	423
Including machinery and equipment	1313	423
Acquisition (creation) of intangible assets	1314	325
Repayment of borrowings received for capital investments	1315	-
Acquisition (creation) of other non-current tangible assets	1316	113
	1317	-

LLC "NOKIA SOLUTIONS AND NETWORKS UKRAINE"

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)
(in Ukrainian Hryvnias and in thousands)

XIV. Biological assets

Groups of biological assets	Line code	Accounted for at historical cost										Accounted for at fair value				
		Balance at the beginning of the year		Additions during the year	Disposals during the year		Depreciation accrued during the year	Impairment losses	Reversal of impairment	Balance at the end of the year		Balance at the beginning of the year	Additions during the year	Revaluations during the year	Disposals during the year	Balance at the end of the year
		Historical cost	Accumulated depreciation		Historical cost	Accumulated depreciation				Historical cost	Accumulated depreciation					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Non-current biological assets – Total																
Including:	1410	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work stock	1411	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Productive livestock	1412	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Perennial plantings	1413	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1414	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other non-current biological assets	1415	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current biological assets – Total																
Including:	1420	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Animals on rearing and fattening	1421	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets in biotransformation	1422	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1423	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current biological assets	1424	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1430	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

From Line 1430 Columns 5 and 14
From Line 1430 Columns 6 and 16

Cost of biological assets purchased through special purpose funding
Net book value of non-current biological assets, historical cost of current biological assets, and fair value of biological assets lost as a result of extraordinary events

(1431) _____ -

(1432) _____ -

From Line 1430 Columns 11 and 17

Carrying amounts of biological assets for which there is a restriction of ownership rights

(1433) _____ -

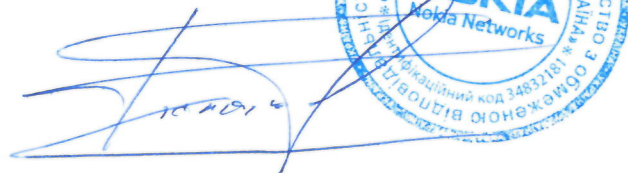
LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)
(in Ukrainian Hryvnias and in thousands)

XV. Financial results on initial recognition and sale of agricultural produce and additional biological assets

Items	Line code	Cost of initial recognition	Expense related to biotransformations	Results from initial recognition		Devaluation	Revenue on sale	Cost of sales	Financial result (profit +, loss -) from	
				Income	Expense				Sales	Initial recognition and sale
1	2	3	4	5	6	7	8	9	10	11
Plant products and additional biological assets – Total	1500	-	-	-	-	-	-	-	-	-
Including:										
Grain and pulse crops	1510	-	-	-	-	-	-	-	-	-
Including:										
Wheat	1511	-	-	-	-	-	-	-	-	-
Soya	1512	-	-	-	-	-	-	-	-	-
Sunflower	1513	-	-	-	-	-	-	-	-	-
Rape	1514	-	-	-	-	-	-	-	-	-
Sugar beet (refinery)	1515	-	-	-	-	-	-	-	-	-
Potatoes	1516	-	-	-	-	-	-	-	-	-
Fruit (seed, stone)	1517	-	-	-	-	-	-	-	-	-
Other plant products	1518	-	-	-	-	-	-	-	-	-
Additional biological assets of plant products	1519	-	-	-	-	-	-	-	-	-
Animal products and additional biological assets – Total	1520	-	-	-	-	-	-	-	-	-
Including:										
Live weight gain – Total	1530	-	-	-	-	-	-	-	-	-
Including:										
Cattle	1531	-	-	-	-	-	-	-	-	-
Pigs	1532	-	-	-	-	-	-	-	-	-
Milk	1533	-	-	-	-	-	-	-	-	-
Wool	1534	-	-	-	-	-	-	-	-	-
Eggs	1535	-	-	-	-	-	-	-	-	-
Other animal products	1536	-	-	-	-	-	-	-	-	-
Additional biological assets of animal products	1537	-	-	-	-	-	-	-	-	-
Fishing products	1538	-	-	-	-	-	-	-	-	-
	1539	-	-	-	-	-	-	-	-	-
Agricultural produce and additional biological assets – Total	1540	-	-	-	-	-	-	-	-	-

Director



Balychev Y.Y.

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(in Ukrainian Hryvnias and in thousands)*

1. GENERAL INFORMATION

Limited Liability Company “Nokia Solutions and Networks Ukraine” (hereinafter, the “Company”) is incorporated in Ukraine and located at: vul. (Str.) Moskovska, bud. (Bld.) 32/2, Floor 9, Kyiv, 01010, Ukraine.

Primary activities of the Company are related to rendering services of technical support for mobile operators’ telecommunication equipment operation.

Nokia Solutions and Networks OY (Finland) owns 99.9% of shares in LLC “Nokia Solutions and Networks Ukraine”, and Nokia Solutions and Networks Branch Operations OY (Finland) – 0.01%. Nokia Corporation (Nokia Oyj) is the parent Company (holding) whose shares are traded on the NY Stock Exchange, NASDAQ Helsinki, Euronext Paris.

During 2020, average number of the Company’s employees was 119 persons.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General information

The accompanying financial statements of the Company have been prepared in accordance with Ukrainian Accounting Standards (“UAS”), as approved by the Ministry of Finance of Ukraine and registered with the Ministry of Justice of Ukraine, as well as other statutory accounting and reporting requirements in Ukraine which were effective as of the date of the financial statements preparation.

The accompanying financial statements have been prepared as of 31 December 2020 and cover the period from 1 January 2020 to 31 December 2020.

These financial statements have been prepared in the national currency of Ukraine – Ukrainian Hryvnia (“UAH”). Unless otherwise indicated, the amounts are presented in UAH and in thousands. The Company’s functional currency is UAH.

In preparing the financial statements, the Company has been governed by the following principles:

Fair presentation and compliance with UAS

The financial statements reflect fairly the Company’s financial position, its financial and business performance, and cash flows. The Company presents fairly the results of transactions, other events, and conditions in compliance with the definitions and criteria for recognition of assets, liabilities, income, and expense.

Going concern

In preparing the financial statements, the Company’s management assesses its ability to continue as a going concern in the foreseeable future.

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(in Ukrainian Hryvnias and in thousands)*

Use of estimates and assumptions

The preparation of the financial statements in accordance with UAS requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities of the Company, the disclosure of contingent assets and liabilities as of the reporting date, and the reported amounts of revenues and expense during the reporting period. Actual results could insignificantly differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Accrual principle

The Company prepares its financial statements by using the accrual method. In using the accrual method, assets, liabilities, net assets, revenue, and expense (elements of the financial statements) are recognized in the financial statements when they meet the definitions and criteria for recognition of those elements.

Data comparability

In respect of all amounts presented in the financial statements, the Company discloses the comparable information for the previous period, except for the cases when Ukrainian Accounting Standards permit or require otherwise. In preparing the financial statements for different periods, the Company uses similar principles for presenting and classifying items, thus, ensuring the comparability of the financial statements for different reporting periods. A significant purchase or disposal or revision in the financial statements presentation may be an evidence of the need to change the procedure of the financial statements presentation. The Company amends the procedure of the financial statements presentation only when it allows that the financial statements users receive more reliable information and when it is possible to use the same structure of the financial statements in the future in the manner that does not affect adversely the data comparability.

Substance over form principle

The Company accounts for transactions according to their substance, and not merely in accordance with their legal forms.

Accounting policies

The following significant accounting policies have been consistently applied for all the periods presented in these financial statements.

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in Ukrainian Hryvnias and in thousands)

Property and equipment

Property and equipment of the Company are carried at historical cost, less any accumulated depreciation and impairment losses. Historical cost of property and equipment represents the historical (actual) cost of non-current assets in the amount of cash or the fair value of other assets paid (transferred) on acquisition (creation) of non-current assets.

Gains or losses arising on the disposal of property and equipment are determined by comparing the sales proceeds and residual value and included in other income or expense from ordinary activities.

All expenditures incurred on maintenance and current repairs of property and equipment items are recognized as expenses of the reporting period (included in the statement of financial results as administrative expenses and other expense) and do not increase the cost of a property and equipment item.

Depreciation of all groups of property and equipment is calculated using a straight line method over the following useful lives:

<u>Groups of property and equipment</u>	<u>Useful lives</u>
Machinery and equipment	2-5 years
Tools, instruments, and fixtures (furniture)	4 years
Other fixed assets	12 years

The Company recognizes, within other non-current tangible assets, the cost of completed capital investments in operating lease items (improvement, modification, construction and equipment completion, and reconstruction). Capital investments in operating lease items are depreciated using a straight line method over their estimated useful lives and lease terms and conditions. The estimated useful life is set at the level of 12 years.

Intangible assets

Intangible assets are carried at historical cost, less any accumulated amortization and impairment losses. Historical cost of intangible assets consists of the purchase price, including import duties and non-refundable indirect taxes related to their purchase, less any rebates and other discounts, and any other directly attributable costs of bringing the intangible assets to working condition for their intended use.

Intangible assets are amortized using a straight line method based on their estimated useful lives.

Useful lives of each intangible asset item are determined by the Company when they are entered into accounting records and put into operation based on their intended purpose and project(s) terms for which the intangible asset has been acquired for.

Also, the Company has the right, in determining a useful life, to use solely the term of granting permission for the use of such an intangible asset.

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in Ukrainian Hryvnias and in thousands)

Intangible assets are amortized as follows:

<u>Groups of intangible assets</u>	<u>Right-of-use term</u>
Group 6 – Other intangible assets (right to conduct operations, use economic and other privileges, etc.)	According to title documents

If, in accordance with a title document, no right-of-use term is set for an intangible asset item, such a useful life shall be determined independently by a taxpayer, which should not be less than two years and not longer than 10 years.

Impairment of property and equipment and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its property and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment losses of property and equipment are included in other expense of the reporting period, with the respective reduction in the balance of their residual value, which are stated in the notes to the financial statements under the caption “Other Changes for the Year”.

Where an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Accounting for inventories

Inventories are recognized as assets when it is probable that the Company will receive future economic benefits from their use, and their value can be reliably estimated.

Cost of purchased material supplies is measured in accordance with the requirements of UAS 9 *Inventory*. Cost of inventories includes cost of acquisition paid to the suppliers under agreements, import duties, non-refundable indirect taxes, transportation expenses, and other costs related directly to inventories purchase and bringing them to working condition for their intended use. Disposals of materials are measured at cost using the FIFO (“first-in, first-out”) method.

Inventories are carried in the financial statements at a lower of cost (historical cost) or net realizable value.

Low value and non-durable items are represented by the items that are amortized over the period of less than one year.

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in Ukrainian Hryvnias and in thousands)

Production items are recorded on Sub-Account 231. The accounting records are maintained by points of works/services performed/rendered – sites where customers’ equipment is located.

Accounting for cash and cash equivalents

Cash and cash equivalents are recorded in accounting at the actual cost on the date of their actual transfer to the Company’s settlement and currency accounts.

Foreign currency denominated non-cash settlements are recorded in the presentation currency in the amount determined in a respective bank’s documents, with reference to the bank’s treatment of the exchange rates established on the relevant transaction dates.

Exchange rates on foreign currency denominated monetary items are determined at the balance sheet dates and dates of relevant business transactions.

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into Ukrainian Hryvnia at the exchange rate established by the National Bank of Ukraine at the end of the reporting period. Revenues and expenses denominated in foreign currencies are translated at the exchange rates established by the National Bank of Ukraine at the dates of the respective transactions. All realized and unrealized gains and losses arising on exchange differences are recognized in the statement of financial results.

Exchange rate of UAH against major currencies during three recent years amounted to:

Reporting date	USD	EUR
31 December 2018	27.6883	31.7141
31 December 2019	23.6862	26.4220
31 December 2020	28.2746	34.7396

Average exchange rate	USD	EUR
2019	25.8456	28.9518
2020	26.9575	30.7879

Accounts receivable

Accounts receivable are carried at net realizable value, less any provision for doubtful debts.

Accounts receivable are recognized as assets when it is probable that the Company will receive future economic benefits from their use, and their value can be reliably estimated.

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(in Ukrainian Hryvnias and in thousands)*

Accounting for liabilities and provisions

Current liabilities are the liabilities to be repaid during the Company’s operating cycle or repayable during the twelve months from the balance sheet date.

Non-current liabilities are the liabilities that are not current ones.

The repayment amount is an undiscounted amount of cash or cash equivalents that is expected to be paid to settle the liability in the normal course of the Company’s business.

Provisions represent the liabilities with undetermined amounts or maturities at the balance sheet date.

Current liabilities are recorded on the balance sheet in the repayment amount.

A provision is recognized when the Company has a present obligation as a result of a past event, it is probable that the resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The Company does not create a provision for future losses from the Company’s operations.

Provisions are allowed to be created for subsequent (future) operating expense:

- Vacations of employees;
- Guarantee obligations;
- Expenses not documentarily supported at the date of expense recognition;
- Penalty sanctions payment.

Accounts payable are recognized as liabilities when it is probable that future economic benefits will reduce as a result of their repayment.

Current accounts payable on goods, works, services include the amounts due for spare parts for telecommunication equipment and other services to related parties, as well as the amounts due for received consulting services, rental services, accounting services, and other services from third parties. Accounts payable are accounted for in gross amounts by each counterparty and contract entered into with it.

At the reporting date, accounts payable to suppliers and other lenders are determined in the repayment amount stipulated for under relevant agreements.

Current accounts payable on settlements with the state budget include the amounts due on value added tax, corporate income tax, and other taxes.

Accounting for staff costs

Staff costs include the following:

- Payroll, vacation, and sick allowances at the Company’s cost (for the first five business days);

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in Ukrainian Hryvnias and in thousands)

- Payments for non-worked time;
- Bonuses and other incentives;
- Financial aid;
- Redundancy payments;
- Other benefits to employees.

Income tax accounting

A deferred tax asset represents the amount of income taxes repayable in subsequent periods at the cost of:

- Deductible temporary tax differences;
- Carry forward of the tax losses not included in the calculation of income tax reduction in the reporting period;
- Carry forward of the tax benefits not possible to be used in the reporting period.

A deferred tax liability represents the amount of income taxes payable in subsequent periods from taxable temporary tax differences.

A deferred income tax is the amount of income taxes recognized as a deferred tax liability and a deferred tax asset.

Income tax expenses (benefits) represent the total amount of income tax expenses (benefits) that consist of current income tax, with reference to a deferred tax liability and a deferred tax asset.

A current income tax is the amount of income taxes recognized in the reporting period in accordance with the tax legislation.

Income tax expenses (benefits) are calculated in accordance with the requirements of UAS 17 *Income Taxes*.

Revenue accounting

Revenue on sale of products (goods, other assets) is measured when all of the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the products (goods, other assets);
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the products (goods, other assets) sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company, and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in Ukrainian Hryvnias and in thousands)

Revenue on rendering the services is recognized depending on the stage of completion of the relevant transaction at the balance sheet date if the transaction result can be measured reliably. The result of rendering the services can be estimated reliably when the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company;
- The stage of completion of the transaction at the balance sheet date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Expense accounting

Expenses represent the decrease in economic benefits during the reporting period in the form of disposal of assets or origination of obligations that result in the decrease in equity (with such a decrease not related to payments to equity holders).

Expenses are recognized as expenses of a certain period simultaneously with the recognition of revenues they were incurred for.

Expenses that cannot be directly associated with the revenues of a certain period are included in expenses of the reporting period when they are incurred.

When economic benefits are expected to arise over several accounting periods, expenses are recognized on the basis of systematic and rational allocation of the asset's value (e.g., depreciation or amortization, lease payments) to the respective period.

Elements of operating expense presented in the statement of financial results include cost of sales of goods and services.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as a lessee. Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

Financial instruments

The Company recognizes financial assets and financial liabilities when the Company becomes a party to the contractual provisions of a particular instrument.

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in Ukrainian Hryvnias and in thousands)

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet (statement of financial position) only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously.

Effective interest rate method

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

Financial assets

Financial assets of the Company include accounts receivable on products, goods, works, services, other current accounts receivable, and cash and cash equivalents.

Accounts receivable on products, goods, works, services. Accounts receivable on products, goods, works, services are carried at net realizable value, less any provision for doubtful debts.

Impairment of financial assets. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively affected.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delay in interest or principal payments; or
- When there exists a probability that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as accounts receivable on products, goods, works, services, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company’s past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in Ukrainian Hryvnias and in thousands)

De-recognition of financial assets. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities

Financial liabilities are classified as “other financial liabilities”.

Other financial liabilities. Other financial liabilities, including current accounts payable on goods, works, services, current accounts payable on internal settlements and staff costs, and other current liabilities are initially measured at fair value, less transaction costs.

Current liabilities are carried on the balance sheet at the repayment amount. Non-current liabilities are carried on the balance sheet at their present value.

De-recognition of financial liabilities. The Company derecognizes financial liabilities when, and only when, the Company’s obligations are discharged, cancelled, or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Contingent liabilities and assets

Contingent liabilities are not recognized in the financial statements, but are disclosed in the explanatory notes to the financial statements, unless the probability of an outflow of resources embodying economic benefits is remote. Contingent assets are disclosed in explanatory notes to the financial statements when an inflow of economic benefits is probable.

Operating environment

Since 2016, the Ukrainian economy has demonstrated signs of stabilization after years of political and economic tension. In 2020, the Ukrainian economy contracted by around 4.4% of real GDP because of COVID-19 outbreak and respective national lockdown initiatives (2019: real GDP growth of around 3.2%), but sustained the modest annual inflation of 5.0% (2019: 4.1%), with a slight devaluation of the national currency (by around 4.4% to USD and 6.4% to EUR comparing to previous year averages).

Ukraine continues to limit its political and economic ties with Russia, given annexation of Crimea, an autonomous republic of Ukraine, and an armed conflict with separatists continued in certain parts of Luhanska and Donetsk regions. As a result of this, the Ukrainian economy is continuing refocusing on the European Union (hereinafter, the “EU”) market by realizing potentials of established Deep and Comprehensive Free Trade Area with the EU, as well as other markets.

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in Ukrainian Hryvnias and in thousands)

To further facilitate business activities in Ukraine, the National Bank of Ukraine (the “NBU”) in 2019 lifted the surrender requirement for foreign currency proceeds, cancelled all limits on repatriation of dividends, and gradually decreased its discount rate for the first time during the recent two years, from 18.0% in April 2019 to 11.0% in January 2020. The discount rate was further decreased during 2020 and, in 2021, was 7.5% valid from 16 April 2021.

The degree of macroeconomic uncertainty in Ukraine in 2020 still remains high due to a significant amount of public debt scheduled for repayment in 2021, which requires mobilizing substantial domestic and external financing in an increasingly challenging financing environment for emerging markets. Further economic growth depends, to a large extent, upon success of the Ukrainian government in realization of planned structural reforms and effective cooperation with the International Monetary Fund (hereinafter, the “IMF”).

Fitch’s current rating of Ukraine’s Long-Term Foreign- and Local-Currency Issuer Default Ratings was stated as “B”, revised from a positive to stable outlook in April 2020.

Starting from early 2020, a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world, resulting in announcement of the pandemic status by the World Health Organization (hereinafter, the “WHO”) in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have a significant impact on global financial markets. As the situation is rapidly evolving, it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to, such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, and reduced demand. In addition, the Company may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Company’s business largely depends on the duration and the incidence of the pandemic effects on the world and Ukrainian economy. Management believes that the spread of COVID-19 has not had a significant impact on the Company’s operations during 2020. Management is going to continue monitoring in detail the situation and assessing the need of applying additional responses if required.

3. INVENTORIES

Carrying amounts of inventories by individual classification groups were as follows:

Group	31 December 2020	31 December 2019
Production inventories:		
Spare parts	27,827	26,562
Raw materials and supplies	30	30
Fuel	6	6
Other materials	32	82
Primary production	937	5,469
Merchandise	13	-
Low-value and non-durable items in stock	-	3
Total	28,845	32,152

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in Ukrainian Hryvnias and in thousands)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on current bank accounts and deposit account.

On 17 August 2020, the Company and JSC “Citibank” concluded a framework term deposit agreement for legal entities according to which, based on placement requests, the Company places funds on its deposit account.

Cash and cash equivalents by currencies comprised the following:

	31 December 2020	31 December 2019
Current accounts with banks:		
UAH denominated	25,038	56,365
Foreign currency denominated	64,910	16,887
UAH denominated cash equivalents (deposit account)	15,000	-
Total	104,948	73,252

5. ACCOUNTS RECEIVABLE

	31 December 2020	31 December 2019
Accounts receivable on goods, works (services)	90,722	110,200
Provision for doubtful debts	(3,089)	(3,089)
Total	87,633	107,111

As of 31 December 2020 and 2019, the Company recorded in accounting the provision for doubtful debts in the amount of accounts receivable from LLC “Intertelecom”, in respect of which the uncertainty existed as to their repayment by the debtor. The Company determined the amount of the provision for doubtful debts by applying the absolute amount of doubtful accounts receivable.

The current accounts receivable on products, goods, works, services past due for up to 12 months amounted to UAH 15,786 thousand (31 December 2019: UAH 5,531 thousand).

In accordance with the amendments to UAS 10 “Accounts Receivable” introduced by Order of the Ministry of Finance of Ukraine # 379 dated 16 September 2019, as of 31 December 2020 and 2019, the Company recorded the amounts due from its counterparty, LLC “K.A.N.”, on lease agreements (guarantee payments) as non-current accounts receivable (Line 1040 of the balance sheet (statement of financial position)).

As of 31 December 2020, non-current accounts receivable were recorded in the balance sheet (statement of financial position) at their present value and amounted to UAH 940 thousand (31 December 2019: UAH 803 thousand).

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in Ukrainian Hryvnias and in thousands)

	<u>31 December 2020</u>	<u>31 December 2019</u>
Non-current accounts receivable	803	1,157
Finance costs	-	(354)
Finance income	137	-
Total	<u>940</u>	<u>803</u>

6. INCOME TAXES

During the years ended 31 December 2020 and 2019, the Company was subject to corporate income tax at the rate of 18%.

For the years ended 31 December 2020 and 2019, income tax expense (benefits) comprised the following:

	<u>2020</u>	<u>2019</u>
Income tax	2,288	207
Deferred income tax	74	(284)
Total	<u>2,362</u>	<u>(77)</u>

The following table presents reconciliation of statutory (estimated) income tax and actual income tax during the years ended 31 December 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Profit/(loss) before income tax	<u>13,014</u>	<u>(16,726)</u>
Income tax expense/(benefits) calculated using the statutory tax rate	2,343	(3,011)
Tax effect of non-deductible income and expense in determining taxable profits, net	19	2,934
Total income taxes for the year	<u>2,362</u>	<u>(77)</u>

As of 31 December 2020 and 2019, deferred tax assets were as follows:

	<u>2020</u>	<u>2019</u>
Components of deferred tax assets (consideration for consulting and audit services)	210	284
Total	<u>210</u>	<u>284</u>

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in Ukrainian Hryvnias and in thousands)

7. RELATED PARTY DISCLOSURES

Related parties are represented by entities that are under control or significant influence of the Company, as well as entities and individuals that, directly or indirectly, exercise control over the Company or significantly influence its activities, as well as close members of the families of such individuals. Terms and conditions of operations with related parties are determined based on arrangements specific to each contract or transaction not necessarily available to third parties.

For the purposes of these financial statements, the Company’s related parties are represented by entities of Nokia Group and the Company’s key management personnel.

As of 31 December 2020 and 2019, settlements with related parties, in UAH and in thousands, were as follows:

Line code	Types of settlements	31 December 2020	31 December 2019
1125	<i>Accounts receivable on products, goods, works, services</i>		
	Nokia Solutions and Networks Norge AS		
	- Services of managing contract risks in the process of projects execution	1,779	-
	Nokia Solutions and Networks AB		
	- Services of technical management	1,515	-
	Nokia Solutions and Networks Oy		
	- Services of extending the network functional capabilities	6,515	21,044
	- Services of repairs and equipment replacement	2,498	10,383
	- Spare parts for telecommunication equipment	4,133	757
	Total	16,440	32,184
1140	<i>Accounts receivable on settlements on income accrued</i>		
	Nokia Solutions and Networks Norge AS		
	- Services of equipment technical support	-	1,353
	LLP “Nokia Solutions and Networks Kazakhstan”		
	- Services of equipment technical support	-	1,132
	Total	-	2,485
1615	<i>Current accounts payable on goods, works, services</i>		
	SC “Alcatel-Lucent Ukraine”		
	- Services of equipment technical support	-	157
	- Spare parts for telecommunication equipment	-	10,417
	Nokia Solutions and Networks Oy		
	- Services of equipment technical support	-	8,363
	- Spare parts for telecommunication equipment	29,406	13,707
	- Services of installing, configuring, activating, and service testing of software products	2,010	-

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in Ukrainian Hryvnias and in thousands)

Line code	Types of settlements	31 December 2020	31 December 2019
	LLP “Nokia Solutions and Networks Kazakhstan”		
	- Services of equipment technical support	136	215
	Nokia Solutions and Networks Branch Operations Oy ALBANIA BRANCH		
	- Services of installing, configuring, activating, and service testing of radio network software on equipment	48	36
	Nokia Solutions and Networks Osterreich GmbH		
	- Services of installing, configuring, activating, and service testing of radio network software on equipment	691	-
	LLC “Nokia Solutions and Networks”		
	- Services of installing, configuring, activating, and service testing of radio network software on equipment	1,091	-
Total		33,382	32,895

For the years ended 31 December 2020 and 2019, the Company had the following transactions with its related parties:

Line code	Types of transactions	2020	2019
<i>2000</i>	<i>Net revenue on sales of products (goods, works, services)</i>		
	Nokia Solutions and Networks AB		
	- Services of technical management	1,212	-
	LLP “Nokia Solutions and Networks Kazakhstan”		
	- Services of equipment technical support	467	1,132
	Nokia Solutions and Networks Norge AS		
	- Services of managing contract risks in the process of projects execution	72	1,353
	Nokia Solutions and Networks Oy		
	- Services of extending the network functional capabilities	4,748	18,533
	- Services of repairs and equipment replacement	2,818	9,228
	- Spare parts for telecommunication equipment	4,004	1,881
Total		13,321	32,127
<i>2050</i>	<i>Cost of products sold (goods, works, services)</i>		
	Nokia Solutions and Networks Oy		
	- Spare parts for telecommunication equipment	5,656	6,608
	- Services of installing, configuring, activating, and service testing of software products	1,902	-
	- Services of repairs and equipment replacement	2,760	-
	SC “Alcatel-Lucent Ukraine”		
	- Spare parts for telecommunication equipment	76	1,732

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in Ukrainian Hryvnias and in thousands)

Line code	Types of transactions	2020	2019
	Nokia Solutions and Networks Branch Operations Oy ALBANIA BRANCH		
	- Services of equipment technical support	-	42
	Nokia Solutions and Networks GmbH & Co. KG		
	- Services of equipment technical support	-	207
	Nokia Solutions and Networks Norge AS		
	- Services of installing, configuring, activating, and service testing of software products	370	-
	Nokia Solutions and Networks Osterreich GmbH		
	- Services of equipment technical support	-	340
	- Services of installing, configuring, activating, and service testing of radio network software on equipment	659	-
	Nokia Solutions and Networks, Portugal, SA		
	- Services of installing, configuring, activating, and service testing of radio network software on equipment	340	-
	Nokia Solutions and Networks Sp. z.o.o (Poland)		
	- Services of equipment technical support	-	35
	CJSC “Alcatel-Lucent”		
	- Services of equipment technical support	-	2,030
	LLP “Nokia Solutions and Networks Kazakhstan”		
	- Services of equipment technical support	135	442
	LLC “Nokia Solutions and Networks” (Russia)		
	- Services of equipment technical support	-	2,476
	LLC “Nokia Solutions and Networks”)		
	- Services of installing, configuring, activating, and service testing of radio network software on equipment	1,040	-
	Total	12,938	13,912
2120	<i>Other operating income</i>		
	SC “Alcatel-Lucent Ukraine”		
	- Services of premises sub-lease	-	13
	Nokia Shanghai Bell.Co. LTD		
	- Protective materials	50	-
	Nokia Solutions and Networks Oy		
	- Protective materials	36	-
	Total	86	13
2180	<i>Other operating expense</i>		
	Nokia Solutions and Networks Oy		
	- Spare parts for telecommunication equipment	2	391

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in Ukrainian Hryvnias and in thousands)

Line code	Types of transactions	2020	2019
	Nokia Shanghai Bell.Co. LTD		
	- Protective materials	50	-
	Nokia Solutions and Networks Oy		
	- Protective materials	36	-
	Total	88	391

Terms and conditions of operations with related parties are determined based on arrangements specific to each contract or transaction.

For the year ended 31 December 2020, key management personnel received current remuneration in the amount of UAH 12,767 thousand (2019: UAH 7,352 thousand).

8. OTHER OPERATING INCOME AND EXPENSE

For the years ended 31 December 2020 and 2019, other operating income comprised the following:

	2020	2019
Gain on operating foreign exchange	21,911	8,676
Interest income on cash balances on current bank accounts	1,420	4,493
Other operating income categories	639	428
Total other operating income	23,970	13,597

For the years ended 31 December 2020 and 2019, other operating expense comprised the following:

	2020	2019
Loss on operating foreign exchange	13,499	8,559
Expense on acquired services not resold	4,722	1,072
VAT on sales at lower than market prices and non-business transactions	1,887	2,956
Cost of inventories, household goods written off	1,721	16,588
Expense on creation of provision for doubtful debts on trade accounts receivable	-	3,089
Other operating expense categories	691	1,132
Total other operating expense	22,520	33,396

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in Ukrainian Hryvnias and in thousands)

9. REVENUE

Revenue for the years ended 31 December 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Revenue on network assembly, installation, and adjustment	242,369	263,430
Revenue on guarantee and post-guarantee services	8,658	8,114
Revenue on merchandise sales	7,005	1,881
Total	<u>258,032</u>	<u>273,425</u>

10. COST OF SALES

Costs of sales for the years ended 31 December 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Services of sub-contractors	57,330	60,792
Cost of spare parts and materials used	20,338	25,555
Other costs	1,388	878
Total	<u>79,056</u>	<u>87,225</u>

11. ADMINISTRATIVE EXPENSES

Administrative expenses for the years ended 31 December 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Payroll and related charges	118,921	115,345
Rent of office and related services	13,922	17,557
Consulting services on adjustment of telecommunication systems	8,749	8,853
Professional services	5,684	5,154
Depreciation and amortization	3,933	5,818
Repairs and maintenance	2,090	5,500
Business trips	1,210	6,181
Other expense	13,195	14,342
Total	<u>167,704</u>	<u>178,750</u>

12. OPERATING LEASE OBLIGATIONS

The Company rents, under operating leases, office premises and vehicles. Lease term for office premises is five years until 31 March 2022. Lease contracts do not contain an option on renewal or acquisition of an asset.

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in Ukrainian Hryvnias and in thousands)

The Company had the following contractual commitments on operating leases at the respective dates:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Repayable during the first year	18,039	17,795
Repayable from the second to the fifth year inclusive	6,086	23,015
Total	<u>24,125</u>	<u>40,810</u>

13. EQUITY

As of 31 December 2020 and 2019, the Company’s registered capital amounted to UAH 20,346 thousand, and shares of participants in the Company’s registered capital were distributed as follows:

Participant	<u>31 December 2020</u>		<u>31 December 2019</u>	
	<u>Ownership share, %</u>	<u>Interest amount</u>	<u>Ownership share, %</u>	<u>Interest amount</u>
Nokia Solutions and Networks Oy	99.9	20,326	99.9	20,326
Nokia Solutions and Networks Branch Operations Oy	0.1	20	0.1	20
Total		<u>20,346</u>		<u>20,346</u>

As of 31 December 2020 and 2019, the Company’s authorized capital, in accordance with the Charter, was contributed in full.

14. DIVIDENDS

On 30 September 2020, the Company partially paid dividends to shareholders for 2016 that were declared in accordance with Minutes # 04/2017 of the General Participants’ Meeting that was held on 1 December 2017.

	<u>2020</u>	<u>2019</u>
Payments to participants:		
Nokia Solutions and Networks Oy	4,928	-
Nokia Solutions and Networks Branch Operations Oy	43	-
Due on dividends as of the year end	<u>37,600</u>	<u>42,571</u>

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in Ukrainian Hryvnias and in thousands)

15. RISK MANAGEMENT POLICIES

Management of risk is an essential element of the Company’s operations. The main risks inherent to the Company’s operations are those related to credit risk exposures, concentration, liquidity, and foreign currency risk. A description of the Company’s risk management policies in relation to those risks is as follows:

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to participants through the optimization of the debt and equity balance. Management of the Company reviews the capital structure on a regular basis. Based on the results of such reviews, the Company takes steps to balance its overall capital structure.

The capital structure comprises equity that consists of registered capital.

Major categories of financial instruments

Major financial assets and liabilities of the Company as of 31 December 2020 and 2019 were as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Financial assets		
Cash and cash equivalents	104,948	73,252
Accounts receivable on products, goods, works, services	87,633	107,111
Other current accounts receivable	20	67
Non-current accounts receivable	940	803
Total financial assets	<u>193,541</u>	<u>181,233</u>
Financial liabilities		
Current accounts payable on goods, works, services	52,515	54,667
Current accounts payable on staff costs	98	70
Other current liabilities	18	11
Total financial liabilities	<u>52,631</u>	<u>54,748</u>

Credit risk

Credit risk is the risk that a customer will fail to discharge an obligation in due time and cause the Company to incur financial losses. The Company’s credit risk is primarily attributable to accounts receivable on products, goods, works, services.

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in Ukrainian Hryvnias and in thousands)

Before accepting any new customer, the Company uses an internal credit system to assess the potential customer’s credit quality. Each sales transaction is assessed separately by placing limits and establishing terms of payments for each individual customer. As of 31 December 2020, aging of accounts receivable on products, goods, works, services did not exceed 365 days.

As of 31 December 2020, receivables of top two customers amounted to 76% of total accounts receivable on products, goods, works, services (2019: 69%).

Concentration risk

The Company purchases a significant portion of goods and services from its related parties. Management considers this risk to be insignificant due to the fact that the Company is a part of Nokia Group and will continue purchasing goods from the Group’s entities in order to conduct its operations in the foreseeable future.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to settle all liabilities as they are due. The Company’s liquidity position is carefully monitored and managed. The Company has a detailed budgeting and cash forecasting process in place to help ensure that it has adequate cash available to meet its payment obligations.

Summary of the maturity profile of the Company’s financial liabilities as of 31 December 2020 based on the earliest date on which the Company can be required to pay and the undiscounted cash flows was as follows:

	<u>Up to 6 months</u>	<u>Total</u>
Current accounts payable on goods, works, services	52,515	52,515
Current accounts payable on staff costs	98	98
Other current liabilities	18	18
Total financial liabilities	<u>52,631</u>	<u>52,631</u>

Summary of the maturity profile of the Company’s financial liabilities as of 31 December 2019 based on the earliest date on which the Company can be required to pay and the undiscounted cash flows was as follows:

	<u>Up to 6 months</u>	<u>Total</u>
Current accounts payable on goods, works, services	54,667	54,667
Current accounts payable on staff costs	70	70
Other current liabilities	11	11
Total financial liabilities	<u>54,748</u>	<u>54,748</u>

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in Ukrainian Hryvnias and in thousands)

Foreign currency risk

Foreign currency risk is the risk that the financial results of the Company will be adversely impacted by changes in exchange rates to which the Company is exposed. The Company undertakes certain transactions denominated in foreign currencies. The Company does not use any derivatives to manage its foreign currency risk exposure. The carrying amounts of the Company’s monetary assets and liabilities denominated in EUR and USD as of 31 December 2020 and 2019 were as follows:

	EUR		USD	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Assets				
Cash and cash equivalents	32,716	16,886	32,194	-
Accounts receivable on products, goods, works, services	12,381	5,215	4,059	26,969
Total assets	45,097	22,101	36,253	26,969
Liabilities				
Current accounts payable on goods, works, services	7,646	440	25,951	22,045
Total liabilities	7,646	440	25,951	22,045
Net currency position	37,451	21,661	10,302	4,924

The following table details the Company’s sensitivity to a 10% weakening/strengthening of Ukrainian Hryvnia against EUR and USD for the years ended 31 December 2020 and 2019. This sensitivity level presents management’s estimates regarding possible foreign currency exchange fluctuations as of the reporting dates. The sensitivity analysis includes only outstanding balances of foreign currency denominated monetary assets and adjusts their translation to presentation currency at the end of the period, with reference to the respective exchange rate fluctuations.

	EUR – impact		USD – impact	
	2020	2019	2020	2019
Profit/(loss)	3,071/(3,071)	1,776/(1,776)	845/(845)	404/(404)

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in Ukrainian Hryvnias and in thousands)

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimation of fair value of financial instruments is made in accordance with the requirements of UAS 13 *Financial Instruments*. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable, willing parties in an arm’s length transaction, other than in forced or liquidation sale. As no readily available market exists for a major part of the Company’s financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Company could obtain in a market exchange from the sale of its full holdings of a particular instrument.

Management of the Company believes that, considering the short-term nature of its assets and liabilities, as of 31 December 2020 and 2019, their fair values approximated their carrying amounts.

17. CONTINGENCIES AND CONTRACTUAL COMMITMENTS

As of 31 December 2020 and 2019, the Company had no significant contingencies and contractual commitments.

Taxation

Ukraine’s tax environment is characterized by complexity in tax administering, arbitrary interpretation by tax authorities of tax laws and regulations that, inter alia, can increase fiscal pressure on taxpayers. Inconsistent application, interpretation, and enforcement of tax laws can lead to litigation which, as a consequence, may result in the imposition of additional taxes, penalties, and interest, and those amounts could be material.

Facing current economic and political issues, the Government is considering a possibility of implementing certain reforms in the tax system of Ukraine. Currently, it is impracticable to determine clearly what specific measures will be undertaken within the framework of those reforms and also assess their total effect on the tax environment taken as a whole and, specifically, on the Company’s tax position.

Management believes that the Company has been in compliance with all requirements of the effective tax legislation.

Transfer pricing

Starting from 1 September 2013, the Tax Code of Ukraine introduced new rules for determining and applying fair market prices, based on the OECD transfer pricing guidelines, which significantly changed transfer pricing (“TP”) regulations in Ukraine.

The Company imports goods, as well as receives and renders services which are in the scope of the new Ukrainian TP regulations.

LLC “NOKIA SOLUTIONS AND NETWORKS UKRAINE”

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(in Ukrainian Hryvnias and in thousands)*

The Company submitted the controlled transaction report for 2019 within the required deadline (i.e. before 1 October 2020). The report for the year of 2020 has to be submitted by the Company until 1 October 2021. Management believes that the Company is in compliance with TP regulation requirements.

Legal issues

As of 31 December 2020 and 2019, the Company was not a party to any legal proceedings.