Consolidated financial statements

Public Joint Stock Company "Vimpel-Communications"

as of 31 December 2018 and
for the year ended 31 December 2018

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Contents

Independent Auditor's Report

To the Shareholders and Board of Directors of Public Joint Stock Company "Vimpel-Communications":

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of Public Joint Stock Company "Vimpel-Communications" (a wholly-owned subsidiary of VEON Ltd. hereinafter referred to as "the Company" or "PJSC VimpelCom") and its subsidiaries (hereinafter collectively referred to as "the Group" or "VimpelCom") as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

VimpelCom's consolidated financial statements comprise:

- the consolidated income statement for the year ended 31 December 2018;
- the consolidated statement of comprehensive income for the year ended 31 December 2018;
- the consolidated statement of financial position as of 31 December 2018;
- the consolidated statement of changes in equity for the year ended 31 December 2018;
- the consolidated statement of cash flows for the year ended 31 December 2018; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 Consolidated Financial Statements*' section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

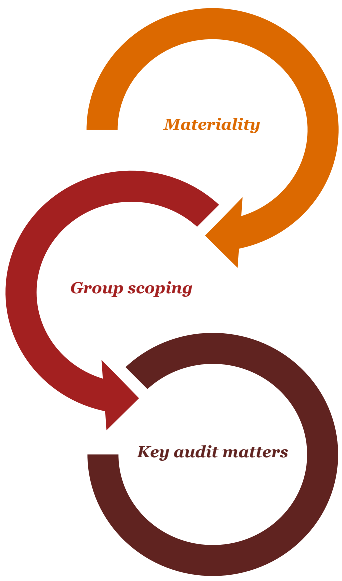
Independence

We are independent of VimpelCom in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview and context

PJSC VimpelCom is a telecommunications company providing telecommunication services through a range of mobile and fixed-line technologies. The Group comprises of six components and therefore we considered our group audit scope and approach as set out in "How we tailored our group audit scope" section. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.



Materiality

- Overall materiality: RUB 2,600 million, which represents 2.2% of EBITDA

Group scoping

- We conducted our work at the corporate headquarters in Russia and at the most significant subsidiaries, located in Russia, Uzbekistan, Kazakhstan and Kyrgyzstan. The work consisted of full scope audits for those significant subsidiaries and risk assessment procedures for less significant subsidiaries in Georgia and Armenia
- Since some of the functions of VimpelCom, like accounting policies and methodology, valuation, treasury and tax are centralised at the level of VEON Ltd. in the Netherlands our work also included those functions to the extent they are managing, approving and monitoring the related balances and transactions of VimpelCom
- The group engagement team visited Kazakhstan to review the work of the component team covering subsidiaries in Kazakhstan and Kyrgyzstan while the component team covering subsidiaries in Uzbekistan visited Moscow to enable us to review their work.
- Audit coverage of 99% of consolidated EBITDA, 98% of consolidated revenue and 91% of consolidated total assets was obtained

Key audit matters

- Revenue recognition – accuracy and occurrence of revenue as well as presentation of revenue gross or net;
- Valuation of goodwill; and
- Compliance with anti-bribery laws and regulations

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Our engagement as a whole consisted of review procedures on the quarterly interim financial information, interim tests of controls and year-end audit procedures. Given the size of VimpelCom and its operations, we are involved on a continuous basis and have ongoing discussions with the finance functions, Company and subsidiaries' management and the Board of Directors' representatives.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences, which are needed for the audit of a telecommunications company.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	RUB 2,600 million (2017: RUB 3,000 million)
How we determined it	We used our professional judgement to determine overall materiality. As a basis for our judgment we used 2.2% of EBITDA as disclosed in Note 2 of the consolidated financial statements. EBITDA is defined by the Company as earnings before interest, tax, depreciation, amortization and impairment, loss on disposals for non-current assets, foreign exchange gain or loss and other non-operating losses and share of results of associates and joint ventures. The decrease in materiality compared to the previous year is due to the negative impact of foreign exchange movements of the currencies of the Company's operating entities against the RUB (functional and presentation currency)
Rationale for the materiality benchmark applied	Our rationale for determining the most appropriate materiality benchmark was based on our analysis of the common information needs of users of the financial statements. We first considered 'profit before taxes'. However, as profits tend to fluctuate significantly, we concluded this was not a representative benchmark. We have therefore then considered EBITDA. We noted that this benchmark is predominantly used by VimpelCom equity and debt investors to assess its financial performance. On this basis, we concluded that EBITDA is an important metric for the financial performance of the Group and as such an appropriate materiality benchmark
Component materiality	To each component in our audit scope, we, based on our judgement, allocated materiality that is less than or equal to our overall materiality. The range of materiality allocated across components was between RUB 500 million and RUB 2,600 million

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the geographic and management structure of VimpelCom, the accounting processes and controls, and the industry in which VimpelCom operates.

PJSC VimpelCom is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of PJSC VimpelCom, the holder of shares in subsidiaries. Some of the functions of VimpelCom, including accounting policies and methodology, valuation, treasury and tax are centralised at the level of VEON Ltd. headquartered in Amsterdam.

Components in Russia, Uzbekistan and Kazakhstan were subjected to audits of their complete financial information as those components are individually significant to the Group. The component in Kyrgyzstan was subjected to full scope audit procedures as it included significant or higher risk areas, notably in the area of revenue recognition and compliance with anti-bribery laws and regulations. For Uzbekistan, Kazakhstan and Kyrgyzstan components we used component auditors from other PwC network firms who are familiar with the local laws and regulations to perform the audit work. For the Russian component, the group engagement team performed the work. For the processes centralised at the level of VEON Ltd. listed above we used PwC network firm in the Netherlands to perform the related audit work.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	98%
EBITDA	99%
Profit before tax	89%
Total assets	91%

None of the remaining components represented individually more than 2% of total group revenue or total group assets. For those remaining components we performed, among others, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

We issued instructions to the audit teams of the components in our audit scope. These instructions included our risk analysis, materiality, and scope of the work to be performed. We determined the level of our involvement in the audit work of these entities in order to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. We have had individual conference calls with each of the in-scope component auditors multiple times during the year including upon the conclusion of their work. During these calls, we have discussed the significant accounting and audit issues identified by the component auditors, the reports of the component auditor, the findings of their procedures and other matters, which could be of relevance for the consolidated financial statements.

As mentioned above certain reporting matters are predominantly centrally determined by VEON Ltd. group management and are audited by us with the involvement of the PwC network firm in the Netherlands. This includes amongst others non-current assets impairment testing, the appropriateness of application of hedge accounting, the appropriateness of roaming rebates and the follow-up on whistle-blower allegations and other ethics cases monitored at the group management level. We have agreed the scope, evaluated competence, capabilities, expertise and objectivity of the PwC Netherlands specialists involved, obtained, reviewed and evaluated the results of PwC Netherlands audit and specialist teams' work in these complex audit areas and incorporated those into our audit file.

By performing the procedures above at components, combined with additional procedures at VimpelCom level and VEON Ltd. level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. We have communicated the key audit matters to the Board of Directors' representatives, but they are not a comprehensive reflection of all matters that were identified by our audit and that we communicated. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Revenue recognition - accuracy and occurrence of revenue as well as presentation as gross or net *Note 3* The total revenues of the Group amount to RUB 349,741 million and are made up of billions of relatively small transactions in combination with multiple pricing plans. Throughout VimpelCom, there is a large number and wide variety of legacy billing and other operating support systems, including multiple manual interfaces, in the revenue process that result in an increased risk around the accuracy and occurrence of the revenue recorded. The magnitude as well as the increased risk, combined with control deficiencies identified, requires substantial audit attention and effort with respect to the controls and substantive test procedures to be performed and assessment of management's remediation of identified deficiencies. Furthermore, the increased offering of services in collaboration with third parties requires the application of significant judgement to determine the appropriateness of recognition of revenue on a gross or net basis. Therefore we consider this a key audit matter.	Our audit approach included controls testing and performing substantive procedures, including data analytics, covering amongst others: • Understanding and testing the IT environment in which billing, rating and other relevant support systems reside, including the change management and restricted access procedures in place. • Testing the design and operational effectiveness of the revenue and receivable cycle related controls. • Assessing the remediation or mitigation of identified control deficiencies. • Testing the end-to-end reconciliation from mediation to billing and rating systems to the general ledger. The testing also included tracing material journals, between the billing system or intelligent network systems and the general ledger, to underlying documentation and confirming the rationale. • Reconciling the amounts of vouchers and other top-ups with respect to prepaid services to the transactional cash receipts data per the cash system. • Performing tests on the accuracy of customer bill generation on a sample basis and testing of a sample of the credits and discounts applied to customer bills. • Performing test calls and reconciling these with the billed amounts.

Key audit matter	How our audit addressed the Key audit matter
	• Testing cash receipts for a sample of customers back to the customer invoice. • Review of service arrangements with respect to content provision and other services involving third parties and assessment of the (consistency of) application of the accounting principles for principal versus agent transactions. Our procedures did not result in material findings with respect to the accuracy and occurrence of revenue recorded in the year.
Valuation of goodwill *Note 12 and Note 15* VimpelCom has a goodwill balance of RUB 97,729 million as at 31 December 2018. The determination of the recoverable value, in particular the fair value less costs of disposal, is based on assumptions, such as the growth rate, the weighted average cost of capital and the success of strategic initiatives, that are affected by expected future market conditions and the continuing challenging economic and political environments in the territories where the Company and its subsidiaries operate in and which are inherently uncertain. VimpelCom performed its annual goodwill impairment test in accordance with IAS36 - Impairment of Assets as of 1 October 2018. The Company concluded that RUB 14,053 million of impairment charges were to be recorded for the Cash Generating Units (‘CGUs’) in Kyrgyzstan and Armenia, allocated first to the existing goodwill balances and then subsequently to property and equipment and intangible assets, based on respective carrying value. Management performed a subsequent triggering events analysis as of 31 December 2018 and determined that no additional goodwill impairment should be recorded. We considered this area to be a key audit matter due to the magnitude of the goodwill balance as well as the fact that the determination of the fair value less costs to dispose is complex and requires substantial judgement from management.	In the context of the annual goodwill impairment test, we have performed various procedures, with the help of PwC network valuation specialists, which varied in depth per CGU based on our risk assessment with respect to the volatility of the economic circumstances, the extent of the related goodwill balance as compared to our materiality used and the headroom available between the carrying value and the fair value less costs of disposal. Particular focus was on the CGU’s that were impaired as well as CGU’s where limited headroom was available. Our audit procedures included, amongst others: • Assessing the appropriateness of management’s identification of the Company’s CGUs based on management’s reporting and organizational structure. • Assessment of management’s determination of the fair value to support the valuation of the investments in subsidiaries, and related internal controls. • Evaluating and challenging the composition of management’s future cash flow forecasts and the process by which they were created, as well as the key assumptions underlying the valuation models used by VimpelCom which includes, amongst others, the discount rate, projected revenue growth rates, projected average operating margin, average capital expenditure and long-term growth. We have compared and challenged management’s assumptions against available external benchmarks and our own accumulated industry knowledge.

Key audit matter	How our audit addressed the Key audit matter
	• Specific attention was given to the validation of strategic initiatives embedded in the approved business plans and whether such initiatives could be corroborated from a market participants' perspective. • A retrospective review of the prior year estimates by comparing the current year actual results to those projected in the prior year. • Recalculating the carrying values, exchange rates and calculations used in the impairment test. • Assessed the adequacy of the VimpelCom's disclosures regarding assumptions and sensitivities as included in the accounting policies and in Note 12 and Note 15 to the consolidated financial statements. Our procedures did not result in material findings with respect to the valuation of goodwill at 31 December 2018 and the respective disclosures in the consolidated financial statements.
Compliance with anti-bribery laws and regulations *Note 23* Given the territories in which the Company operates, there is an increased risk of bribery and corruption that requires special audit consideration. We dedicated a significant amount of time in our audit to this increased risk and therefore have also determined this to be a key audit matter. In addition, in 2016 VEON Ltd., the parent of the Company, settled an investigation into the operations in Uzbekistan with the U.S. Department of Justice, the U.S. Securities and Exchange Commission and the Dutch Public Prosecution Service (Openbaar Ministerie). Under the related Deferred Prosecution Agreement the Company had to implement an Independent Monitor that oversees the Company's compliance improvement programme for a period of three years. If the recommendations provided by the Independent Monitor are deemed to be inadequately implemented, further fines could, amongst other remedial actions, be imposed. As such we believe that the Company's progress with respect to implementation of the Monitor recommendations warrants attention from an audit perspective.	In response to the increased risk of bribery and corruption, we have performed, among others, audit procedures including: • Understanding of the local laws and regulations and various levels of interaction with government officials. • Assessing and testing the internal controls structure, including, amongst others, the control environment (whistleblower and anti-bribery and compliance training programmes), single source procurement decision procedures and agent/vendor vetting procedures. • Identifying and testing potentially unusual payments or expenses, relationships with related parties, agents, charities and social organisations, and review of complex contracts. • Attending discussions in the Risk, Ethics and Assurance Committee (REAC) established by management of the Company, amongst others, to follow up on the results of internal and external investigations and on the design and effectiveness of the Company's compliance programs and internal controls relating to the prevention and detection of fraud.

Key audit matter	How our audit addressed the Key audit matter
	• Evaluating the implications of the findings of the Independent Monitor and discussing these with management of the Company. • Reading the minutes of the Board meetings and other executive committees. • Obtaining external legal confirmations. • Testing of the actions undertaken by management upon identification of potential instances of fraud. Our procedures included the use of forensics expertise and testing of selected transactions. • Assessing the adequacy of the Company's disclosures. Our procedures did not results in material findings with respect to the level of provisions recorded or disclosures provided in the consolidated financial statements.

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

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

In preparing the consolidated financial statements, management is responsible for assessing VimpelCom'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 VimpelCom or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VimpelCom'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 VimpelCom'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause VimpelCom to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within VimpelCom to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The certified auditor responsible for the audit resulting in this independent auditor's report is Evgeny Klimenko.

AO PricewaterhouseCoopers Audit

29 March 2019
Moscow, Russian Federation

E.V. Klimenko, certified auditor (licence No. 01-000057), AO PricewaterhouseCoopers Audit

Audited entity: Public Joint Stock Company Vimpel-Communications

Record made in the Unified State Register of Legal Entities on 28 August 2002 under State Registration Number 1027700166636

Address: 10 bld 14 8th Marta, Moscow, Russian Federation,127083

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890
Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 11603050547

Consolidated income statement
for the year ended 31 December 2018

(All amounts in millions of Rubles)

	Note	Years ended 31 December 2018	2017
Service revenues		**322,070**	327,517
Sale of equipment and accessories		**26,147**	12,411
Other revenues		**1,524**	1,494
Total operating revenues	2,3	**349,741**	341,422
Service costs		**(77,327)**	(83,713)
Cost of equipment and accessories		**(25,158)**	(13,113)
Selling, general and administrative expenses (including impairment loss on financial assets of RUB 2,801 for 2018 and RUB 2,602 for 2017)	4	**(126,249)**	(126,928)
Depreciation	13	**(53,686)**	(55,397)
Amortization	14	**(11,489)**	(11,369)
Impairment loss	12	**(14,053)**	(3,898)
Loss on disposals of non-current assets		**(1,912)**	(1,258)
Gain on sale of subsidiaries	16	**1,231**	–
Total operating expenses, net		**(308,643)**	(295,676)
Operating profit		**41,098**	45,746
Finance costs		**(22,148)**	(23,764)
Finance income		**3,763**	2,708
Net foreign exchange loss		**(5,013)**	(879)
Other non-operating gain / (loss), net	5	**2,850**	(6,674)
Share of loss of joint ventures accounted for using the equity method	11	**–**	(1,231)
Impairment of joint ventures accounted for using the equity method	11	**–**	(6,410)
Profit before tax		**20,550**	9,496
Income tax expense	10	**(11,199)**	(1,293)
Profit for the year		**9,351**	8,203
Profit attributable to:			
The owners of the Company		**12,078**	7,646
Non-controlling interests	16	**(2,727)**	557
		9,351	8,203

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

Consolidated statement of comprehensive income
for the year ended 31 December 2018
(All amounts in millions of Rubles)

	Years ended 31 December	
	2018	**2017**
Profit for the year	**9,351**	8,203
Other comprehensive income / (loss)		
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedge reserve	**–**	117
Income tax effect	**–**	–
Exchange differences arising on net investment in foreign operations	**9,488**	(55,563)
Income tax (expense) / benefit	**(2,863)**	6,733
Other comprehensive income / (loss) for the year, net of tax	**6,625**	(48,713)
Total comprehensive income / (loss) for the year, net of tax	**15,976**	(40,510)
Attributable to:		
Owners of the Company	**18,645**	(40,669)
Non-controlling interests	**(2,669)**	159
	15,976	(40,510)

Public Joint Stock Company “Vimpel-Communications”

Consolidated statement of financial position as of 31 December 2018

(All amounts in millions of Rubles)

	Note	31 December 2018	31 December 2017
Assets			
Non-current assets			
Property and equipment	13	**193,895**	204,661
Intangible assets	14	**28,557**	31,249
Goodwill	15	**97,729**	100,814
Deferred income tax assets	10	**1,824**	5,304
Other non-current financial assets	17	**1,148**	2,255
Other non-current assets	8	**1,126**	555
Total non-current assets		**324,279**	344,838
Current assets			
Inventories	7	**9,040**	3,301
Trade and other receivables	6	**23,049**	23,641
Other current assets	8	**11,436**	11,695
Current income tax assets	10	**3,607**	5,669
Other current financial assets	17	**56,845**	72,379
Cash and cash equivalents	18	**29,420**	24,963
Total current assets		**133,397**	141,648
Assets classified as held for sale	16	**23**	1,296
Total assets		**457,699**	487,782
Equity and liabilities			
Equity			
Equity attributable to equity owners of the Company	20	**133,763**	151,706
Non-controlling interests	16	**3,053**	5,550
Total equity		**136,816**	157,256
Non-current liabilities			
Non-current financial liabilities	17	**206,160**	208,427
Provisions	9	**2,978**	2,771
Deferred income tax liabilities	10	**7,981**	10,877
Other non-current liabilities	8	**653**	1,304
Total non-current liabilities		**217,772**	223,379
Current liabilities			
Trade and other payables		**63,408**	51,737
Other current financial liabilities	17	**10,228**	24,161
Provisions	9	**3,877**	3,988
Current income tax payables	10	**564**	196
Other current liabilities	8	**25,034**	24,701
Total current liabilities		**103,111**	104,783
Liabilities directly associated with the assets classified as held for sale	16	**–**	2,364
Total equity and liabilities		**457,699**	487,782

Public Joint Stock Company “Vimpel-Communications”

Consolidated statement of changes in equity for the year ended 31 December 2018

(All amounts in millions of Rubles)

	Note	Issued capital	Capital surplus	Other capital reserves	Retained earnings	Foreign currency translation reserve	Cash flow hedge reserve	Total	Non-controlling interests	Total equity
		Attributable to the owners of the Company								
As of 31 December 2017		**3**	**40,234**	**37,317**	**135,096**	**(60,944)**	**–**	**151,706**	**5,550**	**157,256**
Adjustments arising due to new accounting standards	26	–	–	–	169	–	–	**169**	46	**215**
As of 1 January 2018		**3**	**40,234**	**37,317**	**135,265**	**(60,944)**		**151,875**	**5,596**	**157,471**
Profit for the year		–	–	–	12,078	–	–	**12,078**	(2,727)	**9,351**
Other comprehensive income / (loss)		–	–	–	–	6,567	–	**6,567**	58	**6,625**
Total comprehensive income / (loss)		**–**	**–**	**–**	**12,078**	**6,567**	**–**	**18,645**	**(2,669)**	**15,976**
Dividends declared	21	–	–	–	(36,002)	–	–	**(36,002)**	(161)	**(36,163)**
Disposal of subsidiaries	16	–	–	–	–	(755)	–	**(755)**	287	**(468)**
As of 31 December 2018		**3**	**40,234**	**37,317**	**111,341**	**(55,132)**	**–**	**133,763**	**3,053**	**136,816**

Consolidated statement of changes in equity for the year ended 31 December 2017

(All amounts in millions of Rubles)

	Note	Issued capital	Capital surplus	Other capital reserves	Retained earnings	Foreign currency translation reserve	Cash flow hedge reserve	Total	Non-controlling interests	Total equity
		Attributable to the owners of the Company								
As of 31 December 2016		**3**	**40,234**	**20,807**	**160,950**	**3,968**	**(117)**	**225,845**	**9,301**	**235,146**
Profit for the year		–	–	–	7,646	–	–	**7,646**	557	**8,203**
Other comprehensive income / (loss)		–	–	–	–	(48,432)	117	**(48,315)**	(398)	**(48,713)**
Total comprehensive income / (loss)		**–**	**–**	**–**	**7,646**	**(48,432)**	**117**	**(40,669)**	**159**	**(40,510)**
Dividends declared		–	–	–	(33,500)	–	–	**(33,500)**	(3,939)	**(37,439)**
Changes in an ownership interest in a subsidiary that do not result in a loss of control		–	–	30	–	–	–	**30**	29	**59**
Transactions under common control	16	–	–	16,480	–	(16,480)	–	–	–	–
As of 31 December 2017		**3**	**40,234**	**37,317**	**135,096**	**(60,944)**	**–**	**151,706**	**5,550**	**157,256**

Consolidated statement of cash flows for the year ended 31 December 2018

(All amounts in millions of Rubles)

	Note	Years ended 31 December 2018	2017
Operating activities			
Profit for the year		**9,351**	8,203
Income tax expense	10	**11,199**	1,293
Profit before tax		**20,550**	9,496
Non-cash adjustments to reconcile profit before tax to net cash flows from operating activities:			
Depreciation	13	**53,686**	55,397
Impairment loss	12	**14,053**	3,898
Amortization	14	**11,489**	11,369
Loss on disposal of non-current assets		**1,912**	1,258
Gain on sale of subsidiaries	16	**(1,231)**	–
Finance income		**(3,763)**	(2,708)
Finance costs		**22,148**	23,764
Other non-operating (gain) / loss, net	5	**(2,850)**	6,674
Net foreign exchange loss		**5,013**	879
Share of loss of joint ventures accounted for using the equity method	11	**–**	1,231
Impairment of joint ventures accounted for using the equity method	11	**–**	6,410
Movements in provisions		**318**	(194)
Operating cash flows before working capital adjustments, interest and income taxes		**121,325**	117,474
Working capital adjustments			
Decrease in trade and other receivables		**485**	2,332
(Increase) / decrease in inventories		**(5,262)**	2,687
Increase in trade and other payables		**7,429**	9,526
Interest and income taxes			
Interest paid		**(21,130)**	(22,641)
Interest received		**2,279**	5,001
Income tax paid		**(9,272)**	(7,203)
Net cash flows from operating activities		**95,854**	107,176
Investing activities			
Purchase of property, equipment and intangible assets net of proceeds from sale of property, equipment and intangible assets		**(58,353)**	(58,205)
Issue of loans	22	**(106,797)**	(71,491)
Repayment of loans issued	22	**131,602**	37,900
Inflows from deposits, net		**37**	8,495
Inflows / (outflows) from investments in other financial assets		**2,196**	(3,882)
Disposal of subsidiaries, net of cash disposed		**338**	726
Acquisition of subsidiaries, net of cash acquired		**(52)**	(23)
Receipt of dividends		**–**	1
Net cash flows used in investing activities		**(31,029)**	(86,479)
Financing activities			
Proceeds from borrowings, net of fees paid	17,22	**286**	136,799
Repayment of borrowings	17,22	**(28,228)**	(120,819)
Dividends paid to equity holders	21	**(36,000)**	(33,498)
Dividends paid to non-controlling interests		**(163)**	(3,922)
Inflows from changes in ownership interests in the consolidated subsidiaries		**–**	59
Net cash flows used in financing activities		**(64,105)**	(21,381)
Net decrease in cash and cash equivalents		**720**	(684)
Effect of exchange rate changes on cash and cash equivalents, net		**3,737**	(21,798)
Cash and cash equivalents at the beginning of the year		**24,963**	47,510
Cash and cash equivalent classified as assets held for sale		**–**	(65)
Cash and cash equivalents at the end of the year		**29,420**	24,963

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

1. General information

Public Joint Stock Company "Vimpel-Communications" (PJSC "VimpelCom", together with its consolidated subsidiaries referred to as the "Group", "VimpelCom" or the "Company") was registered in the Russian Federation ("Russia") on 15 September 1992 as a joint stock company of the closed type, re-registered as a joint stock company of the open type on 28 July 1993 and began full-scale commercial operations in June 1994. The Company was re-registered as an Open Joint Stock Company on 28 March 1995. The Company was re-registered as a Public Joint Stock Company on 19 June 2015.

The registered office of PJSC "VimpelCom" is located at Russian Federation, 127083, Moscow, Ulitsa 8-Marta, Dom 10, Building 14.

The consolidated financial statements are presented in Russian Rubles ("RUB"). In these notes, Russian Ruble amounts are presented in millions unless otherwise indicated.

VimpelCom earns revenues by providing telecommunication services through a range of mobile and fixed-line technologies. As of 31 December 2018, the Company operated telecommunications services in Russia, Kazakhstan, Armenia, Uzbekistan, Georgia and Kyrgyzstan primarily under the "Beeline" brand name. VimpelCom completed the sale of its operations in Laos in 2018 (Note 16).

The consolidated financial statements of the Company as of 31 December 2018 and for the year ended 31 December 2018 were authorized for issue by the General Director of PJSC "VimpelCom" on 29 March 2019.

Operating activities of the Group

2. Segment information

Management analyzes the Company's operating segments separately because of different economic environments and stages of development in different geographical areas, requiring different investment and marketing strategies. Management does not analyze assets or liabilities by reportable segments.

Management evaluates the performance of the Company's segments on a regular basis, primarily based on earnings before interest (both finance income and finance costs), income tax, depreciation, amortization, impairment loss, gain / (loss) on disposals of non-current assets, net foreign exchange gain / (loss), other non-operating gain / (loss) and share of profit / (loss) of joint ventures ("EBITDA") along with assessing the capital expenditures.

The Company's reportable segments include "Russia", "Uzbekistan", "Kazakhstan" and "HQ and Others". The segment "HQ and Others" includes our operations in Kyrgyzstan, Armenia, Georgia and Laos (up until the sale in May 2018) as well as headquarter expenses, other unallocated adjustments and inter-company eliminations.

Financial information by reportable segment for the years ended 31 December 2018 and 31 December 2017 is presented in the following tables. Inter-segment transactions between operating segments are made on terms which are comparable to transactions with third parties.

Information by reportable segments for the year ended 31 December 2018

	Russia	Kazakhstan	Uzbekistan	HQ and others	Group
Revenue					
External customers	291,863	25,605	19,720	12,553	**349,741**
Inter-segment	180	55	26	(261)	**–**
Total operating revenue	**292,043**	**25,660**	**19,746**	**12,292**	**349,741**
EBITDA	**102,819**	**10,480**	**8,543**	**(835)**	**121,007**
Capital expenditures	**48,517**	**3,628**	**2,441**	**3,817**	**58,403**
Non-current assets*	**272,808**	**22,914**	**13,139**	**15,418**	**324,279**

* *Other than financial instruments, investments in subsidiaries and deferred tax assets, which are included in "HQ and others" along with consolidation eliminations.*

(All amounts in millions of Rubles unless otherwise stated)

2. Segment information (continued)

Information by reportable segments for the year ended 31 December 2017

	Russia	Kazakhstan	Uzbekistan	HQ and others	Group
Revenue					
External customers	275,987	22,248	29,895	13,292	**341,422**
Inter-segment	674	61	67	(802)	**–**
Total operating revenue	**276,661**	**22,309**	**29,962**	**12,490**	**341,422**
EBITDA	**102,710**	**8,165**	**15,241**	**(8,448)**	**117,668**
Capital expenditures	**40,017**	**3,823**	**3,666**	**3,132**	**50,638**
Non-current assets*	**282,469**	**22,740**	**10,953**	**28,676**	**344,838**

* *Other than financial instruments, investments in subsidiaries and deferred tax assets, which are included in "HQ and others" along with consolidation eliminations.*

The following table provides the reconciliation of consolidated EBITDA to consolidated profit for the years ended 31 December:

	2018	2017
EBITDA	**121,007**	117,668
Depreciation	**(53,686)**	(55,397)
Amortization	**(11,489)**	(11,369)
Impairment loss	**(14,053)**	(3,898)
Loss on disposal of non-current assets	**(1,912)**	(1,258)
Gain on sale of subsidiaries	**1,231**	–
Finance costs	**(22,148)**	(23,764)
Finance income	**3,763**	2,708
Other non-operating gain / (loss), net	**2,850**	(6,674)
Net foreign exchange loss	**(5,013)**	(879)
Income tax expense	**(11,199)**	(1,293)
Share of loss of joint ventures accounted for using the equity method	**–**	(1,231)
Impairment of joint ventures accounted for using the equity method	**–**	(6,410)
Profit for the year	**9,351**	8,203

3. Operating revenue

VimpelCom generates revenue from providing voice, data and other telecommunication services through a range of wireless, fixed and broadband Internet services, as well as selling equipment and accessories. Products and services may be sold separately or in bundled packages.

The effect of initially applying IFRS 15 on the Group's revenue from contracts with customers is described in Note 26. Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements.

Revenue from contracts with customers

The following table provides a breakdown of revenue from contracts with customers by mobile and fixed line for the year ended 31 December 2018:

	Russia	Kazakhstan	Uzbekistan	HQ and others	Group
Revenue					
Mobile	256,513	23,530	19,609	10,530	**310,182**
Fixed line	35,530	2,130	137	1,762	**39,559**
Total operating revenue	**292,043**	**25,660**	**19,746**	**12,292**	**349,741**

(All amounts in millions of Rubles unless otherwise stated)

3. Operating revenue (continued)

The following table provides a breakdown of revenue from contracts with customers by mobile and fixed line for the year ended 31 December 2017:

	Russia	Kazakhstan	Uzbekistan	HQ and others	Group
Revenue					
Mobile	237,275	20,196	29,769	11,060	**298,300**
Fixed line	39,386	2,113	193	1,430	**43,122**
Total operating revenue	**276,661**	**22,309**	**29,962**	**12,490**	**341,422**

These business activities include the following operations: mobile primarily includes providing wireless telecommunication services to the Company's customers and other operators, selling equipment and accessories, content services, mobile financial services and other revenue; fixed line primarily includes providing wireline telecommunication services and broadband internet access.

Assets and liabilities arising from contracts with customers

The following table provides a breakdown of contract balances and capitalized customer acquisition costs.

	31 December 2018	1 January 2018
Contract balances		
Receivables (billed)	**23,700**	24,134
Contract assets (unbilled)	**917**	750
Contract liabilities		
Deferred revenue	**1,129**	941
Customer advances, net of VAT	**10,320**	10,820
Customer deposits	**784**	1,340
Capitalized costs		
Customer acquisition costs	**608**	409

Accounting policies

The following accounting policies have been applied with effect from 1 January 2018, see Note 26 for further details.

Revenue from contracts with customers

Service revenue

Service revenue includes revenue from airtime charges from contract and prepaid customers, monthly contract fees, interconnect revenue, roaming charges and charges for value added services ("VAS"). VAS includes short messages, multimedia messages, caller number identification, call waiting, data transmission, mobile internet, downloadable content, mobile finance services, machine-to-machine and other services. The content revenue relating to VAS is presented net of related costs when the Company acts as an agent of the content providers and gross when the Company acts as the primary obligor of the transaction.

Revenue for services with a fixed-term, including fixed-term tariff plans and monthly subscriptions, is generally recognized over time, on a straight-line basis. For pay-as-you-use plans, in which the customer is charged based on actual usage, revenue is recognized over time, on a usage basis. Some tariff plans allow customers to rollover unused services to the next period. For these tariff plans, revenue is generally recognized over time, on a usage basis. For contracts which include multiple service components (such as voice, text, data), revenue is allocated based on stand-alone selling price. The stand-alone selling price for these services is determined with reference the price charged per service under a pay-as-you-use plan to similar customers.

3. Operating revenue (continued)

Accounting policies (continued)

Service revenue (continued)

Upfront fees, including activation or connection fees, are recognized on a straight-line basis over the contract term. For contracts with an indefinite term (generally prepaid contracts), revenue from upfront fees is recognized over the average customer life.

Revenue from other operators, including interconnect and roaming charges, is recognized based on the price specified in the contract, net of any estimated retrospective volume discounts. Accumulated experience is used to estimate and provide for the discounts.

All service revenue is recognized over time.

Sale of equipment and accessories

Equipment and accessories are usually sold to customers on a stand-alone basis or together with service bundles. Where sold together with service bundles, revenue is allocated pro-rata, based on the stand-alone selling price of the equipment and the service bundle.

Revenue for mobile handsets and accessories is recognized when the equipment is sold to a network customer, or, if sold via an intermediary, when the intermediary has taken control of the device and the intermediary has no remaining right of return. Revenue for fixed-line equipment is not recognized until installation and testing of such equipment are completed and the equipment is accepted by the customer.

All revenue from sale of equipment and accessories is recognized at a point in time.

Contract balances

Receivables and contracts assets mostly relate to amounts due from payment agents, other operators and postpaid customers. Contract assets, often referred to as "Accrued receivables" are transferred to receivables when the rights become unconditional, which usually occurs when the Group issues an invoice to the customer.

Contract liabilities, often referred to as "Deferred revenue", relate primarily to non-refundable cash received from prepaid customers for fixed-term tariff plans or pay-as-you-use tariff plans.

Contract liabilities are presented as "Long-term deferred revenue", "Short-term deferred revenue", "Customer advances, net of VAT" and "Customer deposits" in Note 8. All "Short-term deferred revenue" amounts outstanding at the beginning of the year have been recognized as revenue during the year.

Sales of prepaid cards, used as a method of cash collection, is accounted for as customer advances for future services and the respective revenue is deferred until the customer uses the airtime. Prepaid cards might not have expiration dates but are subject to statutory expiration periods, and unused prepaid balances are added to service revenue based on an estimate of the expected balance that will expire unused.

Customer acquisition costs

Certain incremental costs incurred in acquiring a contract with a customer ("customer acquisition costs"), are deferred in the consolidated statement of financial position within other assets. Such costs generally relate to commissions paid to third-party dealers and are amortized on a straight-line basis over the average customer life, within "Selling, general and administrative expenses".

The Group applies the practical expedient available for customer acquisition costs for which the amortization would have been shorter than 12 months. Such costs relate primarily to commissions paid to third-party dealers upon top-up of prepaid credit by customers and sale of top-up cards.

(All amounts in millions of Rubles unless otherwise stated)

3. Operating revenue (continued)

Accounting policies (continued)

Source of estimation uncertainty

Average customer life

Management estimates the average customer life for revenue (such as upfront fees) from contracts with an indefinite term and for customer acquisition costs. The average customer life is calculated based on historical data, specifically churn rates for different customer segments (such as mobile and fixed line, prepaid and postpaid).

4. Selling, general and administrative expenses

Selling, general and administrative expenses consist of the following items for the years ended 31 December:

	2018	2017
Customer associated costs	**31,409**	29,900
Personnel costs	**31,028**	28,018
Network and IT costs	**23,139**	20,504
Operating lease and other rent expenses	**18,821**	18,606
Taxes other than income tax	**9,883**	11,774
Consulting and professional service costs	**4,980**	11,115
Losses on receivables	**2,801**	2,602
Other expenses	**4,188**	4,409
Total	**126,249**	126,928

Operating lease commitments

Operating lease commitments mainly relate to the lease of base station sites and office spaces. Operating leases can be renewed but may be subject to renegotiations with lessors.

Future minimum rentals payable under non-cancellable operating leases are as follows as of 31 December:

	31 December 2018	31 December 2017
Less than 1 year	**3,653**	2,495
Between 1 and 5 years	**2,830**	4,386
More than 5 years	**725**	681
Total	**7,208**	7,562

Accounting policies

Customer associated costs

Customer associated costs relate primarily to commissions paid to third-party dealers and marketing expenses. Certain dealer commissions are initially capitalized in the consolidated statement of financial position, see Note 3 for further details.

Operating leases

The following accounting policies have been applied for the Group for the current and comparative years. Refer to Note 26 for details regarding changes made to accounting for leases and impact for the Group in future years.

(All amounts in millions of Rubles unless otherwise stated)

4. Selling, general and administrative expenses (continued)

Operating leases (continued)

The rental payable under operating leases is recognized as an operating lease expenses in the consolidated income statement on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of Company's benefit. No asset is capitalized. If the periodic payments or part of the periodic payments has been prepaid, the Company recognizes these prepayments in the consolidated statement of financial position as other assets.

5. Other non-operating gain / (loss), net

Other non-operating gain / (loss), net consisted of the following items for the years ended 31 December:

	Note	2018	2017
Changes in the fair value of non-hedge derivatives*		**3,198**	(2,227)
Loss on sale of foreign currency, net		**(12)**	(30)
Loss from early debt redemption**	**17**	**–**	(4,430)
Changes in the fair value of hedge derivatives		**–**	(67)
Other (loss) / gain, net		**(336)**	80
Total other non-operating gain / (loss), net		**2,850**	(6,674)

* *Changes in the fair value of non-hedge derivatives relate to derivative transactions entered into by the Company to protect its USD cash outflows from adverse changes in the USD/RUB exchange rate;*
** *Loss from early debt redemption in 2017 relates to the settlement of the cash tender offer for certain outstanding debt securities (Note 17).*

6. Trade and other receivables

Trade and other receivables consisted of the following items as of 31 December:

	31 December 2018	31 December 2017
Trade receivables, gross*	**24,617**	24,884
Allowance for doubtful accounts	**(3,150)**	(2,485)
Trade receivables, net	**21,467**	22,399
Other receivables	**1,582**	1,242
Total trade and other receivables	**23,049**	23,641

* *Includes contract assets (unbilled receivables), see Note 3 for further details.*

As of 31 December 2018, an impairment of RUB 3,194 (2017: RUB 2,485) was recorded against trade receivables. See below the movements in the allowance for doubtful accounts:

	2018	2017
Balance as of 1 January before IFRS 9 adjustment	**2,485**	2,474
Adjustments due to IFRS 9 (Note 26)	**189**	–
Balance as of 1 January after IFRS 9 adjustment	**2,674**	2,474
Allowance for doubtful accounts	**2,757**	2,602
Accounts receivable written off	**(1,686)**	(2,107)
Change in estimates	**(673)**	(295)
Foreign currency translation adjustment	**78**	(131)
Classified as held for sale	**–**	(58)
Balance as of 31 December	**3,150**	2,485

Set out below is the information about the Group's trade receivables and contract assets using a provision matrix:

	Contract assets	Current	Days past due < 30 days	Days past due 30-120 days	Days past due > 120 days	Total
As of 31 December 2018						
Trade receivables, gross	917	16,859	2,421	1,657	2,763	**24,617**
Expected loss rate, %	0.9%	1.1%	11.2%	37.1%	75.1%	
Expected credit losses	(8)	(181)	(272)	(615)	(2,074)	**(3,150)**
Total trade receivables, net	**909**	**16,678**	**2,149**	**1,042**	**689**	**21,467**

(All amounts in millions of Rubles unless otherwise stated)

6. Trade and other receivables (continued)

	Contract assets	Current	Days past due < 30 days	Days past due 30-120 days	Days past due > 120 days	Total
As of 1 January 2018						
Trade receivables, gross	750	18 087	2,427	1,554	2,066	**24,884**
Expected loss rate, %	1.3%	1.9%	9.8%	38.8%	71.2%	
Expected credit losses	(10)	(350)	(239)	(603)	(1,472)	**(2,674)**
Total trade receivables, net	**740**	**17,737**	**2,188**	**951**	**594**	**22,210**

Accounting policies

Trade and other receivables

Trade and other receivables are measured at amortized cost and include invoiced amounts less appropriate allowances for estimated uncollectible amounts.

Expected credit losses

The following accounting policy has been applied with effect from 1 January 2018, see Note 26 for further details.

The expected credit loss allowance (ECL) is recognized for all receivables measured at amortized cost or fair value through OCI with recycling at each reporting date. This means that an allowance for doubtful debt is recognized for all receivables even though there may not be objective evidence that the trade receivable has been impaired.

VimpelCom applies the Simplified approach (i.e. provision matrix) for calculating a lifetime ECL for its trade and other receivables, including unbilled receivables (contract assets). The provision matrix is based on the historical credit loss experience over the life of the trade receivables and is adjusted for forward-looking estimates. Forward looking estimates include macro-economic factors such as GDP (for receivables due from legal entities) and unemployment rates (for receivables due from individual customers). The provision matrix is reviewed on a quarterly basis.

7. Inventories

Inventory consisted of the following items as of 31 December:

	31 December 2018	31 December 2017
Telephone handsets and accessories for sale	**8,772**	3,378
SIM-Cards	**444**	522
Scratch cards	**9**	9
Other inventories	**362**	172
Obsolescence allowance	**(547)**	(780)
Total	**9,040**	3,301

A significant increase in inventories was due to an increase in the number of retail stores acquired as a result of the completion occurred in relation to the transaction to end Euroset joint venture (Note 11).

The cost of inventories recognized as an expense was mainly reflected in the line “Cost of equipment and accessories” of the consolidated income statement. Other expenses and write down of inventories reflected in the other lines of the consolidated income statement amounted to RUB 1,365 and RUB 1,740 for the years ended 31 December 2018 and 31 December 2017, respectively.

Inventories are measured at the lower of cost and net realizable value and carried at the weighted-average cost basis.

(All amounts in millions of Rubles unless otherwise stated)

8. Other assets and other liabilities

Other assets consisted of the following items as of 31 December:

	31 December 2018	31 December 2017
Other non–current assets		
Customer acquisition costs (Note 3)	**608**	–
Advances to suppliers and prepayments	**308**	392
Deferred costs related to connection fees	**116**	53
Input value added tax	**75**	82
Other non-current assets	**19**	28
Total other non–current assets	**1,126**	555
Other current assets		
Input value added tax	**5,434**	5,453
Advances to suppliers	**5,253**	5,383
Deferred costs related to connection fees	**503**	229
Prepaid taxes	**81**	460
Other current assets	**165**	170
Total other current assets	**11,436**	11,695

Other liabilities consisted of the following items as of 31 December:

	31 December 2018	31 December 2017
Other non–current liabilities		
Long–term deferred revenue (Note 3)	**185**	244
Other non–current liabilities	**468**	1,060
Total other non–current liabilities	**653**	1,304
Other current liabilities		
Customer advances, net of VAT	**10,320**	10,820
Other taxes payable	**7,889**	7,629
Amounts due to employees	**5,034**	3,931
Short–term deferred revenue (Note 3)	**944**	825
Customer deposits	**784**	1,340
Other current liabilities	**63**	156
Total other current liabilities	**25,034**	24,701

(All amounts in millions of Rubles unless otherwise stated)

9. Provisions

The following table summarizes the movement in provisions for the years ended 31 December:

	Income taxes provisions	Non-income tax provisions	Decommis-sioning provision	Legal and other provisions	Total provisions
As of 31 December 2016	**1,729**	**1,286**	**2,520**	**269**	**5,804**
Arising during the year	2,110	417	646	91	**3,264**
Divestment of subsidiaries	(30)	–	–	–	**(30)**
Utilized	–	(945)	(16)	(7)	**(968)**
Unused amounts reversed	(727)	(33)	(95)	(35)	**(890)**
Reclassified to held for sale	–	–	(203)	–	**(203)**
Translation adjustment and other	(31)	(39)	(137)	(11)	**(218)**
As of 31 December 2017	**3,051**	**686**	**2,715**	**307**	**6,759**
Non–current portion	–	–	2,715	56	**2,771**
Current portion	3,051	686	–	251	**3,988**
As of 31 December 2017	**3,051**	**686**	**2,715**	**307**	**6,759**
Arising during the year	595	101	323	14	**1,033**
Utilized	–	(164)	(160)	–	**(324)**
Unused amounts reversed	(590)	(216)	12	–	**(794)**
Translation adjustment and other	(9)	72	88	30	**181**
As of 31 December 2018	**3,047**	**479**	**2,978**	**351**	**6,855**
Non–current portion	–	–	2 978	–	2,978
Current portion	3 047	479	–	351	3,877

The timing of payments in respect of provisions is, with some exceptions, not contractually fixed and cannot be estimated with certainty. In addition, with respect to legal proceedings, given inherent uncertainties, there can be no guarantee that the ultimate outcome will be in line with VimpelCom's current expectations. See "Sources of estimation uncertainty" below for further details regarding assumptions and sources of uncertainty.

The Group has recognized a provision for decommissioning obligations associated with future dismantling of its towers in various jurisdictions.

Accounting policies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted using a current pre-tax rate if the time value of money is significant.

Source of estimation uncertainty

The Group is involved in various legal proceedings, disputes and claims, including regulatory discussions related to the Group's business, licenses, tax positions and investments, and the outcomes of these are subject to significant uncertainty. Management evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require the Group to increase or decrease the amount recorded for a matter that has not been previously recorded because it was not considered probable.

(All amounts in millions of Rubles unless otherwise stated)

10. Income taxes

Current income tax is the expected tax expense, payable or receivable on taxable income or loss for the period, using tax rates enacted or substantively enacted at reporting date, and any adjustment to tax payable in respect of previous years.

Income tax expense consisted of the following for the years ended 31 December:

	2018	2017
Current income taxes		
Current income tax charge	**12,034**	4,317
Withholding tax expenses	**81**	134
Total current income tax	**12,115**	4,451
Deferred income taxes		
Reversal of temporary difference	**(2,715)**	(3,522)
Changes in tax rates	**(86)**	(1,410)
Current year tax losses unrecognized	**126**	139
Recognition and utilization of previously unrecognized tax losses or tax credits	**(30)**	(39)
Expiration of tax losses	**18**	1
Adjustments in respect of previous years	**1,472**	1,966
Other deferred tax effects	**299**	(293)
Total deferred income tax expense	**(916)**	(3,158)
Income tax expense reported in the consolidated income statement	**11,199**	1,293
Consolidated statement of comprehensive income:		
Income tax effect of foreign currency (losses) / gains related to intercompany loans that form part of net investment in foreign operations and decrease of deferred tax asset*	**(2,863)**	6,733
Income tax (expense) / benefit reported in other comprehensive income	**(2,863)**	6,733

* Decrease of deferred tax asset reported in other comprehensive income relates to decrease of deferred tax asset on foreign currency losses related to intercompany loans, that form part of net investment in foreign operations in Uzbekistan, recognized in 2017 in other comprehensive income following the change in tax rate from 40.4% to 20%.

Effective income tax rate

The table below outlines the reconciliation between the statutory tax rate in the Russian Federation and the effective income tax rates for the Group, together with the corresponding amounts, for the years ended 31 December:

	2018		2017	
Profit before tax	**20,550**	**%**	9,496	%
Income tax expense computed on profit before tax at statutory tax rate	**4,110**	**20.0%**	1,899	20.0%
Difference due to the effects of:				
Non-deductible impairment of non-current assets including goodwill	**1,815**	**8.8%**	679	7.2%
Changes in recognition of deferred tax assets on losses and other carry forwards	**183**	**0.9%**	139	1.5%
Other non-deductible expenses	**332**	**1.6%**	2,018	21.3%
Current and deferred tax effect of intragroup dividends	**186**	**0.9%**	(861)	(9.1%)
Refiling of tax returns	**127**	**0.6%**	(1,970)	(20.7%)
Tax claims and provisions	**6**	**0.0%**	1,431	15.1%
Change in income tax rates	**(86)**	**(0.4%)**	(1,410)	(14.8%)
Different tax rates in different jurisdictions	**2,755**	**13.4%**	(339)	(3.6%)
Effect of prior year adjustments	**1,472**	**7.2%**	(249)	(2.6%)
Others	**299**	**1.5%**	(44)	(0.5%)
Income tax expense reported in the consolidated income statement	**11,199**	**54.5%**	1,293	13.6%

(All amounts in millions of Rubles unless otherwise stated)

10. Income taxes (continued)

Effective income tax rate (continued)

Explanatory notes to the effective income tax rate

Reason	Explanation
Non-deductible impairment of non-current assets including goodwill	The effect of impairment mostly relates to impairment of property and equipment, goodwill and intangible assets in Armenia in total amount of RUB 5,472 and income tax effect of RUB 1,094, impairment of property and equipment and intangible assets in Russia in total amount of RUB 1,992 with income tax effect of RUB 398 and impairment of goodwill in Kyrgyzstan of RUB 3,089 with income tax effect of RUB 309 (Note 12).
Change in recognition of deferred tax assets on losses and other carry forwards	In 2018, the effective income tax rate was impacted by a RUB 183 change in recognition of deferred tax assets resulting mainly from tax losses for which no deferred tax asset was recognized in Swiss holding entities and Russia.
Other non-deductible expenses (permanent differences)	The non-deductible expenses (net of non-taxable income) have an increasing effect on the effective income tax rate of RUB 332. The most significant items are RUB 203 relating to effect of sale of subsidiaries in Russia, RUB (118) effect of foreign exchange results and RUB 97 effect of non-deductible interest expense.
Current and deferred tax effect of intragroup dividends	Withholding taxes are recognized to the extent that dividends from foreign operations are expected to be paid in the foreseeable future. The amount of RUB 186 in 2018 relates to tax effect of expected dividends of RUB 282 and tax effect of intragroup dividends paid of RUB 78 accrued in Uzbekistan. These amounts are net off by RUB (119) correction of tax effect of expected dividends to be paid by Kyrgyzstan and Kazakhstan and by RUB (55) from Russia.
Refiling of tax returns	In 2018, the effect of refiling of tax returns of RUB 127 relates to Uzbekistan mostly.
Tax claims and provisions	The tax claims and provisions relate to provisions for uncertain income tax positions and relate mostly to Russia of RUB 27 net off with RUB (21) in Uzbekistan.
Change in income tax rates	Changes in tax rates impact the valuation of existing temporary differences. The amount of RUB (86) relates to change in tax rates applied to deferred taxes in Uzbekistan.
Different tax rates in different jurisdictions	Adjustment of RUB 2,755 is due to different tax rates of countries that are higher or lower compared to the Russian statutory income tax rate of 20%. In 2018, the most significant effects were in Uzbekistan amounted to RUB 1,164 due to tax rate of 40.35% and in Georgia amounted to RUB 1,142 due to zero tax rate and negative profit before tax.
Effect of prior year adjustments	Effect of prior year adjustments of RUB 1,472 relates updated tax positions in Russia in the amount of RUB 600 and Uzbekistan in the amount of RUB 937 netted off with immaterial other effects.
Other	Other effect of RUB 299 includes effect of minimum taxes and utilization of previously unrecognized tax losses.

Deferred income taxes

The Group reported the following deferred income tax assets and liabilities in the consolidated statement of financial position as of 31 December:

	2018	**2017**
Deferred income tax assets	**1,824**	5,304
Deferred income tax liabilities	**(7,981)**	(10,877)
Net deferred income tax position	**(6,157)**	(5,573)

(All amounts in millions of Rubles unless otherwise stated)

10. Income taxes (continued)

Deferred income tax (continued)

The following table shows the movements of the deferred income tax assets and liabilities in 2018:

	31 December 2018	Charge to profit and loss	Tax rate changes	Other	Currency translation adjustment	31 December 2017
Property and equipment	**(14,934)**	258	769	(219)	25	**(15,767)**
Intangible assets	**(4)**	594	67	4	(17)	**(652)**
Other non-current assets	**(388)**	(100)	108	(79)	(7)	**(310)**
Trade accounts receivable	**(146)**	568	(205)	14	64	**(587)**
Other current assets	**150**	(283)	(105)	(7)	19	**526**
Undistributed retained earnings of subsidiaries	**(361)**	(149)	–	25	(2)	**(235)**
Provisions	**783**	210	(55)	–	14	**614**
Financial liabilities (non-current)	**739**	46	(3)	–	–	**696**
Other liabilities (non-current)	**63**	(93)	–	–	–	**156**
Trade and other payables	**7,720**	715	(685)	8	149	**7,533**
Other current liabilities	**(790)**	(64)	157	–	(36)	**(847)**
Other current financial liabilities	**2**	(96)	38	–	1	**59**
Other movements and temporary differences	**(151)**	(131)	–	(1,242)	1,191	**31**
Tax losses and other carry forwards	**9,754**	(2,299)	–	(491)	(523)	**13,067**
Non recognized deferred tax assets on losses and other carry forwards	**(8,594)**	1,654	–	–	(391)	**(9,857)**
Net deferred tax position	**(6,157)**	830	86	(1,987)	487	**(5,573)**

The following table shows the movements of the deferred income tax assets and liabilities in 2017:

	31 December 2017	Charge to profit and loss	Tax rate changes	Other	Currency translation adjustment	31 December 2016
Property and equipment	**(15,767)**	965	876	59	1,044	**(18,711)**
Intangible assets	**(652)**	509	(79)	–	136	**(1,218)**
Other non-current assets	**(310)**	20	(2)	–	–	**(328)**
Trade accounts receivable	**(587)**	(160)	175	–	(381)	**(221)**
Other current assets	**526**	44	208	–	149	**125**
Undistributed retained earnings of subsidiaries	**(235)**	1,879	–	(333)	(420)	**(1,361)**
Provisions	**614**	(11)	72	–	(179)	**732**
Financial liabilities (non-current)	**696**	(40)	1	–	5	**730**
Other liabilities (non-current)	**156**	(1)	11	–	(4)	**150**
Trade and other payables	**7,533**	1,366	1,143	–	(400)	**5,424**
Other current liabilities	**(847)**	(1,770)	(259)	–	85	**1,097**
Other current financial liabilities	**59**	(316)	92	–	2	**281**
Other movements and temporary differences	**31**	(4,547)	–	3,457	(133)	**1,254**
Tax losses and other carry forwards	**13,067**	6,065	3,838	1,677	(2,749)	**4,236**
Non recognized deferred tax assets on losses and other carry forwards	**(9,857)**	(6,921)	–	–	730	**(3,666)**
Net deferred tax position	**(5,573)**	(2,918)	6,076	4,860	(2,115)	**(11,476)**

(All amounts in millions of Rubles unless otherwise stated)

10. Income taxes (continued)

Unused tax losses and other credits carried forwards

VEON recognizes a deferred tax asset for unused tax losses and other credits carried forwards, to the extent that it is probable that the deferred tax asset will be utilized. The amount and expiry date of unused tax losses and other carry forwards for which no deferred tax asset is recognized as of 31 December 2018 and 31 December 2017 are as follows.

As of 31 December 2018	0-5 years	6-10 years	Indefinite	Total
Tax losses expiry				
Recognized losses	5,802	–	–	**5,802**
Recognized DTA	1,160	–	–	**1,160**
Non-recognized losses	11,126	789	27,582	**39,497**
Non-recognized DTA	2,236	115	6,243	**8,594**

As of 31 December 2017	0-5 years	6-10 years	Indefinite	Total
Tax losses expiry				
Recognized losses	–	6,023	–	**6,023**
Recognized DTA	–	3,210	–	**3,210**
Non-recognized losses	12,994	29,034	–	**42,028**
Non-recognized DTA	2,599	7,259	–	**9,858**

Losses mainly relate to holding entity in Luxembourg (2018: RUB 27,582; 2017: RUB 29,034) and operating entities in Russia (2018: RUB 11,126; 2017: RUB 12,994) and Uzbekistan (2018: RUB 5,802; 2017: RUB 6,023).

VimpelCom reports the tax effect of the existence of undistributed profits of subsidiaries that will be distributed in the foreseeable future. As of 31 December 2018, the Company recorded a deferred income tax liability of RUB 361 (31 December 2017: RUB 235) relating to the tax effect of the undistributed profits that will be distributed in the foreseeable future in relation to its Uzbekistan, Kazakhstan and Kyrgyzstan operations.

As of 31 December 2018, undistributed earnings of VimpelCom's foreign subsidiaries (outside the Russian Federation) which are indefinitely invested and that will not be distributed in the foreseeable future, amounted to approximately RUB 95,089 (as of 31 December 2017: RUB 128,904). Accordingly, no deferred income tax liability is recognized for this amount of undistributed profits.

Income tax assets

As of 31 December 2018, the Company reported current income tax assets totaling RUB 3,607 (as of 31 December 2017: RUB 5,669). This relates to advanced tax payments in Russia and Uzbekistan which can only be offset against income tax liabilities in fiscal periods subsequent to 2018.

Accounting policies

Income taxes

Income tax expense represents the aggregate amount determined on the profit for the period based on current tax and deferred tax.

In cases where the tax relates to items that are charged to other comprehensive income or directly to equity, the tax is also charged respectively to other comprehensive income or directly to equity.

10. Income taxes (continued)

Accounting policies (continued)

Uncertain tax positions

The Group’s policy is to comply with the applicable tax regulations in the jurisdictions in which its operations are subject to income taxes. The Group’s estimates of current income tax expense and liabilities are calculated assuming that all tax computations filed by the Company’s subsidiaries will be subject to a review or audit by the relevant tax authorities. The Company and the relevant tax authorities may have different interpretations of how regulations should be applied to actual transactions (refer below for details regarding risks and uncertainties).

Deferred taxation

Deferred income taxes are recognized using the liability method and thus are computed as the taxes recoverable or payable in future periods in respect of deductible or taxable temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Company’s financial statements.

Source of estimation uncertainty

Tax risks and uncertain tax positions

The tax legislation in the markets in which VimpelCom operates is unpredictable and gives rise to significant uncertainties, which could complicate our tax planning and business decisions. Tax laws in many of the emerging markets in which we operate have been in force for a relatively short period of time as compared to tax laws in more developed market economies. Tax authorities in our markets often deviate in their interpretation of tax laws from industry viewpoint, as well as in their enforcement and tax collection methods.

Any sudden and unforeseen amendments of tax laws or changes in the tax authorities’ interpretations of the respective tax laws and/or double tax treaties, could have a material adverse effect on our future results of operations, cash flows or the amounts of dividends available for distribution to shareholders in a particular period (e.g. introduction of transfer pricing rules and Controlled Foreign Operation (CFC) legislation and more strict tax residency rules).

Management believes that VimpelCom has paid or accrued all taxes that are applicable. Where uncertainty exists, VimpelCom has accrued tax liabilities based on management’s best estimate. From time to time, we may also identify tax contingencies for which we have not recorded an accrual. Such unaccrued tax contingencies could materialize and require us to pay additional amounts of tax.

Uncertain tax positions are recognized when it is probable that a tax position will not be sustained, and the amount can be reliably measured. The expected resolution of uncertain tax positions is based upon management’s judgment of the likelihood of sustaining a position taken through tax audits, tax courts and/or arbitration, if necessary. Circumstances and interpretations of the amount or likelihood of sustaining a position may change through the settlement process. Furthermore, the resolution of uncertain tax positions is not always within the control of the Group and it is often dependent on the efficiency of the legal processes in the relevant taxing jurisdictions in which the Group operates. Issues can, and often do, take many years to resolve.

(All amounts in millions of Rubles unless otherwise stated)

10. Income taxes (continued)

Source of estimation uncertainty (continued)

Recoverability of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that the assets will be realized. Significant judgment is required to determine the amount that can be recognized and depends foremost on the expected timing, level of taxable profits, tax planning strategies and the existence of taxable temporary differences. Estimates made relate primarily to losses carried forward in some of the Group's operations. When an entity has a history of recent losses, the deferred tax asset arising from unused tax losses is recognized only to the extent that there is convincing evidence that sufficient future taxable profit will be generated. Estimated future taxable profit is not considered such evidence unless that entity has demonstrated the ability by generating significant taxable profit for the current year or there are certain other events providing sufficient evidence of future taxable profit. New transactions and the introduction of new tax rules may also affect judgments due to uncertainty concerning the interpretation of the rules and any transitional rules.

Investing activities of the Group

11. Significant transactions

Exit from Euroset Joint Venture

On 7 July 2017, PJSC "VimpelCom" entered into a Framework Agreement with PJSC "MegaFon" ("MegaFon") to unwind their retail joint venture, Euroset Holding N.V. ("Euroset"). On 22 February 2018, the completion occurred in relation to the transaction to end their Euroset joint venture. Pursuant to terms of the transaction, PJSC "VimpelCom" acquired approximately half of Euroset's retail stores in Russia and paid to MegaFon RUB 1,250, subject to certain adjustments, while MegaFon acquired PJSC "VimpelCom"'s 50% interest in Euroset. As a result of the transaction, PJSC "VimpelCom" has fully disposed of its interest in Euroset. Prior to the transaction, Euroset, Russia's mobile and electronics retail network, was co-owned by PJSC "VimpelCom" and MegaFon. The transaction was accounted for as an asset acquisition, primarily the acquisition of contract-based intangible assets representing the right to use of retail stores.

	2018	2017
Book values of investments in joint ventures as of 31 December	**–**	7,641
Share of loss of joint ventures	**–**	(1,231)
Impairment of Euroset	**–**	(6,410)
Book values of investments in joint ventures as of 31 December	**–**	–

Impairment of Euroset in 2017

In the fourth quarter of 2016, due to operational underperformance of joint venture Euroset Holding N.V. ("Euroset"), the Company recorded an impairment of RUB 5,993. During the second quarter of 2017, due to the continued operational underperformance of Euroset, the Company has revised its previous estimates and assumptions regarding Euroset's future cash flows. As a result, the Company impaired the remaining carrying value of the investment in Euroset.

The recoverable amount of Euroset has been determined using fair value less costs of disposal, based on a Level 3 fair value derived from a discounted cash flow model.

Key assumptions	**30 June 2017**
Discount rate	13.4%
Average annual revenue growth rate during forecast period	1.7%
Terminal growth rate	0.0%
Average operating (EBITDA) margin during forecast period	0.0%
Average capital expenditure as a percentage of revenue	0.9%

(All amounts in millions of Rubles unless otherwise stated)

11. Significant transactions (continued)

Accounting policies

The Company’s investments in its associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company’s share of net profit after tax, other comprehensive income and equity of the associate or joint venture since the acquisition date.

The Company assesses, at the end of each reporting period, whether there are any indicators that an investments in a Joint Venture may be impaired. If there are such indicators (i.e. Joint Venture making losses), the Company estimates the recoverable amount of the Joint Venture after applying the equity method.

12. Impairment of assets

Property and equipment and intangible assets are tested for impairment. The Company assesses, at the end of each reporting period, whether there are any indicators that an asset may be impaired (i.e. asset becoming idle, damaged or no longer in use). If there are such indicators, the Company estimates the recoverable amount of the asset. Impairment losses of continuing operations are recognized in the consolidated income statement in a separate line item.

Goodwill is tested for impairment annually (at October 1) or when circumstances indicate the carrying value may be impaired. The Company’s impairment test is primarily based on fair value less cost of disposal calculations (Level 3 in the fair value hierarchy) that use a discounted cash flow model, using cash flow projections from business plans prepared by management. The Company considers the relationship between the market capitalization and the book value, as well as weighted average cost of capital and the quarterly financial performances of each cash-generating units (“CGU”) when reviewing for indicators of impairment in interim periods.

Impairment losses

	2018				2017		
CGU's	**Property and equipment**	**Intangible assets**	**Goodwill**	**Total impairment for 2018**	**Property and equipment**	**Goodwill**	**Total impairment for 2017**
Armenia	3,079	693	1,700	**5,472**	–	1,977	**1,977**
Georgia	2,142	1,296	–	**3,438**	(67)	–	**(67)**
Kyrgyzstan	(17)	–	3,089	**3,072**	30	1,007	**1,037**
Russia	1,830	162	–	**1,992**	1,075	–	**1,075**
Kazakhstan	79	–	–	**79**	(124)	–	**(124)**
Total	7,113	2,151	4,789	**14,053**	914	2,984	**3,898**

In 2018, due to operational underperformance of its operations in Armenia, Georgia and Kyrgyzstan, the Company has revised its previous estimates and assumptions regarding the future cash flows of these CGU’s. As a result, the Company recorded an impairment against the carrying values of these CGU’s. For these CGU’s, impairment losses were allocated first to the existing carrying value of goodwill and then subsequently to property and equipment and intangible assets based on relative carrying values.

Additionally, in regard the Company’s commitment to network modernization, the Company continuously reevaluates the plans for its existing network, including equipment purchased but not installed and intangible assets, and consequently recorded an impairment loss for the CGUs Russia and Kazakhstan.

Key assumptions

The recoverable amounts of CGUs have been determined based on fair value less costs of disposal calculations using cash flow projections from business plans approved in the first quarter of 2018 by the Group’s senior management.

(All amounts in millions of Rubles unless otherwise stated)

12. Impairment of assets (continued)

Key assumptions (continued)

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company’s CGUs. These budgets and forecast calculations are prepared for a period of five years. A long-term growth rate is applied to project future cash flows after the fifth year.

The table below shows key assumptions used in fair value less costs of disposal calculations.

	Discount rate (functional currency)		Average annual revenue growth rate during forecast period (functional currency)		Terminal growth rate		Average operating margin		Average capital expenditure as a percentage of revenue	
CGU	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Russia	10.3%	10.6%	1.1%	1.9%	1.3%	1.0%	34.6%	36.4%	19.8%	15.7%
Kazakhstan	8.4%	10.8%	2.8%	3.2%	1.1%	2.4%	46.5%	44.5%	17.7%	17.9%
Kyrgyzstan	14.8%	15.5%	2.8%	(1.5)%	5.0%	3.5%	39.9%	42.0%	17.2%	16.4%
Uzbekistan	13.1%	15.3%	5.5%	6.9%	6.3%	6.5%	43.9%	42.9%	16.2%	14.1%
Armenia	12.5%	13.0%	0.2%	(1.0)%	0.8%	3.0%	23.6%	29.7%	21.0%	19.6%
Georgia	10.6%	11.0%	2.1%	5.6%	3.0%	1.0%	24.5%	25.2%	23.8%	23.3%

The key assumptions and inputs used by the Company in determining the recoverable amount are as follows:

Assumption	Description
Discount rate	The discount rates are initially determined in USD based on the risk free rate for 20-year maturity bonds of the United States Treasury, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific CGU relative to the market as a whole. The equity market risk premium used was 5.4% (2017: 6.0%). The systematic risk, beta, represents the median of the raw betas of the entities comparable in size and geographic footprint with the ones of VEON Ltd. ("Peer Group") since the Company is part of VEON Ltd. group. The debt risk premium is based on the median of Standard & Poors long-term credit rating of the Peer Group. The weighted average cost of capital is determined based on target debt-to-equity ratios representing the median historical five-year capital structure for each entity from the Peer Group. The discount rate in functional currency of a CGU is adjusted for the long-term inflation forecast of the respective country in which the business operates, as well as the applicable country risk premium.
Projected revenue growth rates	The revenue growth rates vary based on numerous factors, including size of market, GDP (Gross Domestic Product), foreign currency projections, traffic growth, market share and others.
Projected average operating margin	The Company estimates operating margin calculated based on EBITDA divided by Total Operating Revenue for each CGU and each future year. The forecasted operating margin is based on the budget of the following year and assumes cost optimization initiatives which are part of on-going operations, as well as regulatory and technological changes known to date, such as telecommunication license issues and price regulation among others.
Average capital expenditure as a percentage of revenue	Capital expenditure is defined as purchases of property and equipment and intangible assets other than goodwill. The cash flow forecasts for capital expenditure are based on past experience and amounts budgeted for the following year(s) and include the network roll-outs plans and license requirements.
Projected license and spectrum payments	The cash flow forecasts for license and spectrum payments for each operating company for the initial five years include amounts for expected renewals and newly available spectrum. Beyond that period, a long-run cost of spectrum is assumed.
Long-term growth rate	A long‑term growth rate into perpetuity is estimated based on a percentage that is lower than or equal to the country long-term inflation forecast, depending on the CGU.

12. Impairment of assets (continued)

Source of estimation uncertainty

The Group has significant investments in property and equipment, intangible assets, goodwill and other investments.

Estimating recoverable amounts of assets and cash generating units (“CGUs”) must, in part, be based on management’s evaluations, including the determination of the appropriate CGUs, the relevant discount rate, estimation of future performance, the revenue-generating capacity of assets, timing and amount of future purchases of property and equipment, assumptions of future market conditions and the long-term growth rate into perpetuity (terminal value). In doing this, management needs to assume a market participant perspective. Changing the assumptions selected by management, in particular, the discount rate and growth rate assumptions used to estimate the recoverable amounts of assets, could significantly impact the Group’s impairment evaluation and hence results.

A significant part of the Group’s operations is in countries with emerging markets. The political and economic situation in these countries may change rapidly and recession may potentially have a significant impact on these countries. On-going recessionary effects in the world economy and increased macroeconomic risks impact our assessment of cash flow forecasts and the discount rates applied.

There are significant variations between different markets with respect to growth, mobile penetration, average revenue per user (“ARPU”), market share and similar parameters, resulting in differences in operating margins. The future development of operating margins is important in the Group’s impairment assessments, and the long-term estimates of these margins are highly uncertain. In particular this is the case for emerging markets that are still not in a mature phase.

(All amounts in millions of Rubles unless otherwise stated)

13. Property and equipment

The following table summarizes the movement in property and equipment for the years ended 31 December:

	Telecom-munication equipment	Land, buildings and constructions	Office and other equipment	Equipment not installed and assets under construction	Total
Cost					
As of 31 December 2016	**451,783**	**18,490**	**64,908**	**35,359**	**570,540**
Additions	1,333	96	196	40,926	**42,551**
Disposals	(22,157)	(228)	(950)	(1,013)	**(24,348)**
Reclassification to assets held for sale	(5,359)	(47)	(239)	(35)	**(5,680)**
Transfer	42,447	662	7,378	(50,487)	**–**
Translation adjustment	(23,857)	(680)	(2,815)	(3,240)	**(30,592)**
As of 31 December 2017	**444,190**	**18,293**	**68,478**	**21,510**	**552,471**
Additions	1,621	117	280	46,205	**48,223**
Disposals	(26,277)	(337)	(6,309)	(422)	**(33,345)**
Reclassification to assets held for sale	–	(36)	–	–	**(36)**
Transfer	38,372	1,195	7,162	(46,729)	**–**
Translation adjustment	9,656	757	1,249	653	**12,315**
As of 31 December 2018	**467,562**	**19,989**	**70,860**	**21,217**	**579,628**
Depreciation and impairment					
As of 31 December 2016	**(278,527)**	**(8,882)**	**(41,745)**	**(4,375)**	**(333,529)**
Depreciation	(47,557)	(1,138)	(6,702)	–	**(55,397)**
Disposals	21,005	212	651	671	**22,539**
Reclassification to assets held for sale	4,633	23	136	–	**4,792**
Impairment (Note 12)	(10)	–	(2)	(902)	**(914)**
Transfer	61	(1)	(21)	(39)	**–**
Translation adjustment	12,252	320	1,787	340	**14,699**
As of 31 December 2017	**(288,143)**	**(9,466)**	**(45,896)**	**(4,305)**	**(347,810)**
Depreciation	(45,805)	(1,103)	(6,778)	**–**	**(53,686)**
Disposals	24,702	253	5,721	331	**31,007**
Reclassification to assets held for sale	–	13	–	–	**13**
Impairment (Note 12)	(3,776)	(546)	(467)	(2,324)	**(7,113)**
Transfer	(22)	1	1	20	**–**
Translation adjustment	(6,571)	(567)	(849)	(157)	**(8,144)**
As of 31 December 2018	**(319,215)**	**(11,415)**	**(48,268)**	**(6,435)**	**(385,733)**
Net book value					
As of 31 December 2017	**156,047**	**8,827**	**22,582**	**17,205**	**204,661**
As of 31 December 2018	**147,947**	**8,574**	**22,592**	**14,782**	**193,895**

Non-cash investing activities

During 2018, VimpelCom acquired property and equipment in the amount of RUB 12,466 (2017: RUB 10,908), which were not paid for as of year-end.

Capital commitments

Capital commitments for the future purchase of equipment are as follows:

	2018	2017
Less than 1 year	**25,053**	30,083
Between 1 and 3 years	**270**	14,976
Total	**25,323**	45,059

(All amounts in millions of Rubles unless otherwise stated)

13. Property and equipment (continued)

Telecom licenses capital commitments

The Company's ability to generate revenue in the countries it operates is dependent upon the operation of the wireless telecommunications networks authorized under its various licenses under GSM-900/1800, "3G" (IMT-2000/WCDMA/UMTS) and "4G" (LTE) mobile radiotelephony communications services.

Under the license agreements our operating companies are subject to certain commitments, such as territory or population coverage and network build-out requirements, level of capital expenditures, and number of base stations to be fulfilled within a certain timeframe. If we are found to be involved in practices that do not comply with applicable laws or regulations, we may be exposed to significant fines, the risk of prosecution or the suspension or loss of our licenses, frequency allocations, authorizations or various permissions, any of which could harm our business, financial condition, results of operations, or cash flows.

After expiration of the license, our operating companies might be subject to additional payments for renewals, as well as new license capital and other commitments.

In July 2012, PJSC "VimpelCom" was awarded a mobile license, a data transmission license, a voice transmission license and a telematic license for the provision of LTE services in Russia. The roll-out of the LTE network will occur through a phased approach based on a pre-defined schedule pursuant to the requirements of the license. The LTE services were launched in the middle of 2013 and offered in six regions in Russia by the end of the year. The services must be extended to a specific number of additional regions each year through to 1 December 2019 by when services must cover all of Russia. PJSC "VimpelCom" is required to comply with the following conditions among others under the terms of the license: (i) invest at least RUB 15 000 in each calendar year, for which the Company continues to comply with to date in the construction of its federal LTE network until the network is completed, which must occur before 1 December 2019; (ii) provide certain data transmission services in all secondary and higher educational institutions in specified areas with population over 50 thousand; and (iii) provide interconnection capability to telecommunications operators that provide mobile services using virtual networks in any five regions in Russia not later than 25 July 2016. The latter requirement was fulfilled by PJSC "VimpelCom" within the required time.

Finance lease

The Group has finance leases and hire purchase contracts for various items of property and equipment.

The carrying value of property and equipment held under finance leases as of 31 December 2018 and 2017 was RUB 4,783 and RUB 5,144, respectively. Additions during the year include RUB 600 in 2018 and RUB 390 in 2017 of property and equipment under finance lease.

Future minimum lease payments under the finance leases and hire purchase contracts together with a present value of the net minimum lease payments are as follows:

	31 December 2018		**31 December 2017**	
	Minimum payments	**Present value of payments**	**Minimum payments**	**Present value of payments**
Within one year	**1,089**	**655**	793	412
Between one and five years	**2,756**	**1,352**	2,687	1,271
More than five years	**2,646**	**1,650**	3,066	1,863
Total minimum lease payments	**6,491**	**3,657**	6,546	3,546
Less amounts representing finance charges	**(2,834)**	**–**	(3,000)	–
Total payments	**3,657**	**3,657**	3,546	3,546

13. Property and equipment (continued)

Accounting policies

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Telecommunication equipment	3-20 years;
Buildings and constructions	10-20 years;
Office and other equipment	3-10 years;

Equipment acquired under a finance lease arrangement is depreciated on a straight-line basis over its estimated useful life or the lease term, whichever is shorter.

Each asset's residual value, useful life and method of depreciation is reviewed at the end of each financial year and adjusted prospectively if necessary.

Finance leases

At the commencement of a finance lease term, VimpelCom recognizes the assets and liabilities in its consolidated statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments as determined at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. If there is no interest rate in the lease, the Company's incremental borrowing rate is used. Any initial direct costs of VimpelCom related to the lease are added to the amount recognized as an asset.

Source of estimation uncertainty

Depreciation and amortization of non-current assets

Depreciation and amortization expenses are based on management estimates of useful life, residual value and amortization method of property and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the amortization or depreciation charges. Technological developments are difficult to predict and our views on the trends and pace of development may change over time. Some of the assets and technologies, in which the Group invested several years ago, are still in use and provide the basis for new technologies.

The useful lives of property and equipment and intangible assets are reviewed at least annually, taking into consideration the factors mentioned above and all other relevant factors. Estimated useful lives for similar types of assets may vary between different entities in the Group due to local factors such as growth rate, maturity of the market, historical and expected replacements or transfer of assets and quality of components used.

(All amounts in millions of Rubles unless otherwise stated)

14. Intangible assets

The following table summarizes the movement in intangible assets for the years ended 31 December:

	Telecommu-nications licenses, frequencies and permissions	Software	Brands and trademarks	Customer relation-ships	Other intangible assets	Total
Cost						
As of 31 December 2016	**42,957**	**35,549**	**702**	**19,600**	**10,112**	**108,920**
Additions	986	6,621	–	–	480	**8,087**
Acquisition of subsidiaries	–	–	–	–	23	**23**
Disposals	(1,246)	(4,840)	–	–	1,429	**(4,657)**
Reclassification to assets held for sale	(468)	–	–	–	–	**(468)**
Transfer	16	205	2	–	(223)	–
Translation adjustment	(3,173)	(2,149)	(58)	–	(1,221)	**(6,601)**
As of 31 December 2017	**39,072**	**35,386**	**646**	**19,600**	**10,600**	**105,304**
Additions	1,815	7,042	–	–	1,323	10,180
Disposals	(2,974)	(9,244)	(91)	–	(866)	(13,175)
Transfer	28	65	–	–	(93)	–
Translation adjustment	2,057	1,311	94	–	685	4,147
As of 31 December 2018	**39,998**	**34,560**	**649**	**19,600**	**11,649**	**106,426**
Amortization and impairment						
As of 31 December 2016	**(24,486)**	**(23,287)**	**(698)**	**(15,641)**	**(9,243)**	**(73,355)**
Amortization	(3,055)	(7,046)	(2)	(971)	(295)	**(11,369)**
Disposals	1,274	4,767	–	–	(1,499)	**4,542**
Reclassification to assets held for sale	331	–	–	–	–	**331**
Transfer	–	(1)	–	–	1	**–**
Translation adjustment	2,899	1,616	58	–	1,223	**5,796**
As of 31 December 2017	**(23,037)**	**(23,951)**	**(642)**	**(16,612)**	**(9,813)**	**(74,055)**
Amortization	(3,046)	(7,343)	(1)	(742)	(357)	**(11,489)**
Impairment	(1,371)	(668)	–	–	(112)	**(2,151)**
Disposals	2,972	9,170	91	–	860	**13,093**
Translation adjustment	(1,538)	(1,028)	(94)	–	(637)	**(3,297)**
As of 31 December 2018	**(26,020)**	**(23,820)**	**(646)**	**(17,354)**	**(10,059)**	**(77,899)**
Net book value						
As of 31 December 2017	**16,035**	**11,435**	**4**	**2,988**	**787**	**31,249**
As of 31 December 2018	**13,978**	**10,740**	**3**	**2,246**	**1,590**	**28,557**

Non-cash investing activities

During 2018, VimpelCom acquired intangible assets in the amount of RUB 1,611 (2017: RUB 1,907), which was not paid for as at respective year end.

Capital commitments

Capital commitments for the future purchase of intangible assets are as follows:

	2018	2017
Less than 1 year	**1,485**	4,652
Between 1 and 3 years	–	–
Total	**1,485**	4,652

(All amounts in millions of Rubles unless otherwise stated)

14. Intangible assets (continued)

Accounting policies

Intangible assets acquired separately are measured initially at cost and are subsequently measured at cost less accumulated amortization and impairment losses.

Intangible assets with a finite useful life are generally amortized with the straight-line method over the estimated useful life of the intangible asset. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least annually.

Source of estimation uncertainty

Depreciation and amortization of non-current assets

Refer also to Note 13 for further details regarding source of estimation uncertainty.

Significant estimates in the evaluation of useful lives for intangible assets include, but are not limited to, the estimated average customer relationship based on churn, the remaining license or concession period and the expected developments in technology and markets.

The actual economic lives of intangible assets may be different than estimated useful lives, thereby resulting in a different carrying value of intangible assets with finite lives. We continue to evaluate the amortization period for intangible assets with finite lives to determine whether events or circumstances warrant revised amortization periods. A change in estimated useful lives is a change in accounting estimate, and depreciation and amortization charges are adjusted prospectively.

15. Goodwill

The movement in goodwill for the Group, per cash generating unit ("CGU"), consisted of the following items as of 31 December:

CGU's	31 December 2018	Impairment (Note 12)	Currency translation adjustment	31 December 2017	Impairment (Note 12)	Currency translation adjustment	31 December 2016
Russia	**87,984**	–	–	**87,984**	–	–	**87,984**
Kazakhstan	**4,493**	–	188	**4,305**	–	(216)	**4,521**
Kyrgyzstan	**3,721**	(3,089)	1,036	**5,774**	(1,007)	(313)	**7,094**
Uzbekistan	**1,531**	–	226	**1,305**	–	(2,146)	**3,451**
Armenia	**–**	(1,700)	254	**1,446**	(1,977)	(144)	**3,567**
Total	**97,729**	**(4,789)**	**1,704**	**100,814**	**(2,984)**	**(2,819)**	**106,617**

Accounting policies

Goodwill is recognized for the future economic benefits arising from net assets acquired that are not individually identified and separately recognized. Goodwill is not amortized but is tested for impairment annually and as necessary when circumstances indicate that the carrying value may be impaired.

(All amounts in millions of Rubles unless otherwise stated)

16. Investments in subsidiaries

The consolidated financial statements of the Group include the following key subsidiaries as of 31 December 2018 and 31 December 2017:

Name of key subsidiaries	Country of operation	Nature of subsidiary	Ownership interest held by the Group 2018	2017
KaR-Tel, LLP	Kazakhstan	Operating	**75.0%**	75.0%
KazEuroMobile, LLP	Kazakhstan	Operating	**75.0%**	75.0%
Unitel, LLC	Uzbekistan	Operating	**100.0%**	100.0%
Buzton, LLC	Uzbekistan	Operating	**54.0%**	54.0%
Sky Mobile, LLC	Kyrgyzstan	Operating	**50.1%**	50.1%
VEON Georgia, LLC	Georgia	Operating	**51.0%**	51.0%
VEON Armenia, CJSC	Armenia	Operating	**100.0%**	100.0%
Rascom, CJSC	Russia	Operating	**54.0%**	54.0%
Ararima Enterprises Limited	Cyprus	Holding	**100.0%**	100.0%
Limnotex Developments Ltd.	Cyprus	Holding	**71.5%**	71.5%
Menacrest AG	Switzerland	Holding	**50.1%**	50.1%
VEON Eurasia S.à.r.l.	Luxemburg	Holding	**100.0%**	100.0%
Silkway Holding B.V.	The Netherlands	Holding	**100.0%**	100.0%
VimpelCom Holding Laos B.V.	The Netherlands	Holding	**100.0%**	100.0%
Golden Telecom, Inc.	USA (Delaware)	Holding	**100.0%**	100.0%
Freevale Enterprises	BVI	Holding	**100.0%**	100.0%
VIP Kazakhstan Holding AG	Switzerland	Holding	**75.0%**	75.0%
VIP Kyrgyzstan Holding AG	Switzerland	Holding	**50.1%**	50.1%
VimpelCom Lao Co. Ltd.	Lao PDR	Operating	**–**	78.0%
2Day Telecom, LLP*	Kazakhstan	Operating	**–**	75.0%

** In 2018, the activities of 2Day Telecom, LLP were discontinued due to the reorganization by merging with KaR-Tel, LLP.*

Laos operations

On 27 October 2017, VimpelCom Holding Laos B.V. ("VimpelCom Laos"), a subsidiary of the Company, entered into a Sale and Purchase Agreement for the sale of its operations in Laos to the Lao People's Democratic Republic ("Government of Laos"). Under the agreement, VimpelCom Laos transferred its 78% interest in VimpelCom Lao Co. Limited ("VIP Lao") to the Government of Laos, the minority shareholder, in exchange for purchase consideration of USD 22 million. Purchase consideration was received in two separate payments, on 8 December 2017 and 22 February 2018. The sale of operations in Laos was completed on 3 May 2018, which were previously classified as disposal groups held-for-sale. The effect of the disposal is detailed below:

Net cash consideration received (USD 22 million)	1,303
Derecognition of assets classified as held for sale (as of 31 December 2017 RUB 1,296)	(1,230)
Derecognition of liabilities classified as held for sale (as of 31 December 2017 RUB 2,364)*	770
Derecognition of non-controlling interests	(306)
Release cumulative other comprehensive income related to disposal group	755
Gain on sale of subsidiary	**1,292**

* The loans related to VimpelCom Lao Company Ltd. were reclassified to liabilities directly associated with the assets classified as held for sale on 30 June 2017. The total outstanding principal amount as of 31 December 2017 was USD 21.5 million (the equivalent of RUB 1,238 as of 31 December 2017 at the exchange rate provided by the Central Bank of Russia) and interest payable was USD 0.59 million (the equivalent of RUB 34 as of 31 December 2017 at the exchange rate provided by the Central Bank of Russia). In March 2018 VEON Micro Holdings B.V. sold all these loans to VimpelCom Holding Laos B.V. (subsidiary of the PJSC "VimpelCom"). The rest of change related to write-off of other liabilities in the amount of RUB 322.

Total amount RUB 1,231 of gain on sale of subsidiaries reflected in consolidated income statement for the year ended 31 December 2018 also include result from disposal of other immaterial subsidiaries.

(All amounts in millions of Rubles unless otherwise stated)

16. Investments in subsidiaries (continued)

Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests for the years ended 31 December are provided below:

Name of subsidiaries	Country of operation	Equity interest held by non-controlling interest in %		Book values of non-controlling interests		Profit / (loss) attributable to non-controlling interests	
		2018	**2017**	**2018**	**2017**	**2018**	**2017**
KaR-Tel, LLP	Kazakhstan	**25.0%**	25.0%	**5,410**	5,421	**1,204**	474
Sky Mobile, LLC	Kyrgyzstan	**49.9%**	49.9%	**6,224**	6,254	**(1,248)**	162
VEON Georgia, LLC	Georgia	**49.0%**	49.0%	**(12,129)**	(8,008)	**(2,810)**	(476)

The summarized financial information of these subsidiaries before intercompany eliminations for the years ended 31 December are detailed below.

Summarized income statements

	KaR-Tel, LLP		Sky Mobile, LLC		VEON Georgia, LLC	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Operating revenue	**25,660**	20,323	**5,043**	6,284	**2,685**	2,770
Operating expenses	**(19,943)**	(17,252)	**(7,511)**	(5,681)	**(6,293)**	(3,036)
Other income / (costs)	**388**	(437)	**34**	(65)	**(2,104)**	(685)
Profit / (loss) before tax	**6,105**	2,634	**(2,434)**	538	**(5,712)**	(951)
Income tax expense	**(1,291)**	(740)	**(69)**	(213)	**(23)**	(20)
Profit / (loss) for the year	**4,814**	1,894	**(2,503)**	325	**(5,735)**	(971)
Attributed to:						
Owners of the Company	**3,610**	1,420	**(1,255)**	163	**(2,925)**	(495)
Non-controlling interest	**1,204**	474	**(1,248)**	162	**(2,810)**	(476)
	4,814	1,894	**(2,503)**	325	**(5,735)**	(971)

Summarized statements of financial position

	KaR-Tel, LLP		Sky Mobile, LLC		VEON Georgia, LLC	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Property and equipment	**13,330**	10,576	**5,274**	4,546	**882**	2,674
Intangible assets	**9,254**	8,836	**4,394**	6,469	**435**	1,607
Other non-current assets	**1,341**	1,028	**161**	125	**137**	82
Trade and other receivables	**894**	1,263	**215**	363	**289**	357
Cash and cash equivalents	**1,987**	829	**3,010**	1,848	**185**	36
Other current assets	**1,050**	4,264	**811**	672	**138**	101
Loans and borrowings	**–**	–	**–**	–	**(25,420)**	(19,915)
Trade and other payables	**(4,455)**	(3,480)	**(1,111)**	(1,040)	**(1,204)**	(1,170)
Provisions	**(298)**	(284)	**(105)**	(224)	**(126)**	(97)
Other liabilities	**(1,462)**	(1,347)	**(171)**	(220)	**(69)**	(18)
Total equity	**21,641**	21,685	**12,478**	12,539	**(24,753)**	(16,343)
Attributed to:						
Owners of the Company	**16,231**	16,264	**6,254**	6,285	**(12,624)**	(8,335)
Non-controlling interests	**5,410**	5,421	**6,224**	6,254	**(12,129)**	(8,008)
	21,641	21,685	**12,478**	12,539	**(24,753)**	(16,343)

(All amounts in millions of Rubles unless otherwise stated)

16. Investments in subsidiaries (continued)

Material partly-owned subsidiaries (continued)

Summarized cash flow statements

	KaR-Tel, LLP		Sky Mobile, LLC		VEON Georgia, LLC	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Net cash flows from operating activities	**9,183**	6,153	**1,811**	1,354	**414**	303
Net cash flows used in investing activities	**(2,745)**	(4,259)	**(1,105)**	(1,402)	**(570)**	(1,370)
Net cash flows (used in) / from financing activities	**(6,050)**	(2,855)	**–**	–	**286**	1,039
Effect of exchange rate changes on cash and cash equivalents	**774**	(56)	**455**	(107)	**24**	(21)
Net decrease in cash and cash equivalents	**1,162**	(1,017)	**1,161**	(155)	**154**	(49)

Transactions under common control in 2017

On 26 October 2017, VimpelCom signed Deed of sale and transfer of shares to sell its indirect 100% stake in VimpelCom B.V. to one of the subsidiaries of VEON Ltd. and related party of the Group for total consideration of EUR 18,100.48 (the equivalent of RUB 1.2 as of 26 October 2017 at the exchange rate provided by the Central Bank of Russia). The ownership of the 100% shares in VimpelCom B.V. was transferred from the Group on 26 October 2017. As of 26 October 2017, the net assets of VimpelCom B.V. were amounted to RUB 1.3. The reclassification of accumulated foreign currency translation reserve to other capital reserves on disposal of VimpelCom B.V. was amounted to RUB 16,480.

Accounting policies

Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction or loss of control rather than through continuing use, and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Assets and liabilities of a disposal group classified as held for sale are presented separately from the other assets and liabilities in the statement of financial position.

A discontinued operation is a component that is classified as held for sale and that represents a separate major line of business or geographical area of operations. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount in the income statement. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

Transactions under common control

For business combinations exercised under common control, VimpelCom measures the net assets of the transaction at the carrying amounts, the difference between the amount received for the transaction and the corresponding carrying amount of the net assets is accounted for as equity transaction.

Transactions with non-controlling interests that do not result in loss of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(All amounts in millions of Rubles unless otherwise stated)

16. Investments in subsidiaries (continued)

Significant account judgment

Control over subsidiaries

Subsidiaries, which are those entities over which the Company is deemed to have control, are consolidated. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In certain circumstances, significant judgment is required to assess if the Company is deemed to have control over entities where the Company's ownership interest does not exceed 50%.

Financing activities of the Group

17. Financial assets and liabilities

Carrying values and fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are recognized in the consolidated financial statements as of 31 December 2018 and 2017 other than those with carrying amounts that are reasonable approximations of fair values, including cash and cash equivalents, trade and other receivables, trade and other payables, other assets and liabilities.

	Carrying value		Fair value	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Financial assets at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	**987**	–	**987**	–
Total financial assets at fair value	**987**	–	**987**	–
Loans granted, deposits and other financial assets at amortised cost				
Loans granted to related parties, principal amount (Note 22)	**55,453**	73,211	**55,453**	73,166
Bank deposits	–	64	–	64
Interest receivable	**236**	252	**236**	252
Other financial assets	**1,317**	1,107	**1,317**	1,107
Total loans granted, deposits and other financial assets at amortised cost	**57,006**	74,634	**57,006**	74,589
Total other financial assets	**57,993**	74,634	**57,993**	74,589
Other financial liabilities at amortised cost				
Bonds, equipment financing and finance lease liabilities, principal amount	**22,789**	36,395	**24,340**	39,247
Loans payables to related parties, principal amount (Note 22)	**183,703**	188,437	**183,939**	193,470
Unamortised fees	**(656)**	(851)	–	–
Interest payable	**10,552**	8,607	**7,368**	5,105
Total other financial liabilities at amortised cost	**216,388**	232,588	**215,647**	237,822
Total other financial liabilities	**216,388**	232,588	**215,647**	237,822

(All amounts in millions of Rubles unless otherwise stated)

17. Financial assets and liabilities (continued)

Carrying values and fair values (continued)

The following table provides the breakdown of the carrying value of other financial assets and other financial liabilities by non-current and current portions as of 31 December:

Other financial assets	31 December 2018	31 December 2017
Non-current portion	**1,148**	2,255
Current portion	**56,845**	72,379
Total other financial assets	**57,993**	74,634
Other financial liabilities		
Non-current portion	**206,160**	208,427
Current portion	**10,228**	24,161
Total other financial liabilities	**216,388**	232,588

The fair value of financial assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the balance sheet date. The fair values were estimated based on quoted market prices for our bonds, derived from market prices or by discounting contractual cash flows at the rate applicable for the instruments with similar maturity and risk profile. The fair value for loans to related parties is estimated by discounting contractual cash flows at the applicable rate for the instruments with similar maturity and risk profile.

The fair value of derivative financial instruments is determined using the discounted cash flow techniques. Observable inputs (Level 2) used in the valuation techniques includes LIBOR, EURIBOR, swap curves, basis swap spreads, foreign exchange rates and credit default spreads.

Fair value hierarchy

As of 31 December 2018 and 2017, the Group recognized financial instruments at fair value in the statement of financial position.

The fair value hierarchy ranks fair value measurements based on the type of inputs used in the valuation; it does not depend on the type of valuation techniques used:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs are unobservable inputs for the asset or liability.

As of 31 December 2018 and 31 December 2017, all financial assets and financial liabilities carried at fair value were measured based on Level 2 inputs. Carrying amounts of financial assets and financial liabilities carried at amortized costs approximates their fair value which is measured based on Level 2 inputs.

Transfers into and out of fair value hierarchy levels are recognized at the end of the reporting period (or the date of the event or change in circumstances that caused the transfer). On a quarterly basis, the Company reviews if there are any indicators for a possible transfer between Level 2 and Level 3. This depends on how the Company is able to obtain the underlying input parameters when assessing the fair valuations.

During the years ended 31 December 2018 and 31 December 2017, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

(All amounts in millions of Rubles unless otherwise stated)

17. Financial assets and liabilities (continued)

Loans, bonds, equipment financing and finance lease liabilities

The Company has the following principal amounts outstanding for loans, bonds, equipment financing and finance lease liabilities as of 31 December 2018 and 2017:

Lender or bonds series	Interest rate	Maturity	Currency	2018	2017
Loans received from related parties (Note 22)	6.50-11.40%	2019-2032	RUB/USD	**183,703**	188,437
Eurobonds	7.75%	2021	USD	**18,201**	31,255
Equipment financing and finance lease liabilities	8.10-23.90%	2019-2055	RUB/USD	**3,338**	3,546
Ruble bonds	1.00-7.00%	2022-2025	RUB	**1,102**	1,102
Others	–	–	–	**148**	492
Total loans, bonds, equipment financing and finance lease liabilities, principal amount				**206,492**	224,832
Non-current portion				**197,739**	202,630
Current portion				**8,753**	22,202

Reconciliation of cash flows from financing activities

	Bonds	Equipment financing and finance lease	Loans received from related parties	Unamortised fees	Other	Total
Balance as of 31 December 2017	**33,241**	**3,567**	**196,139**	**(851)**	**492**	**232,588**
Principal amount	32,357	3,546	188,437	(851)	492	**223,981**
Interest payable	884	21	7,702	–	–	**8,607**
Cash flows						
Proceeds from borrowings	–	–	286	–	–	**286**
Repayment of borrowings	(10,308)	(336)	(17,129)	–	(455)	**(28,228)**
Interest paid	(2,167)	(351)	(18,485)	–	(127)	**(21,130)**
Non-cash movements						
Interest accrued	2,175	462	18,868	–	–	**21,505**
Eurobonds purchased by VEON Holdings B.V. – principal amount	(7,969)	–	7,969	–	–	**–**
Eurobonds purchased by VEON Holdings B.V. – interest accrued	(256)	–	256	–	–	**–**
The loan sold by Vimpelcom Micro Holding B.V. to VimpelCom Holding Laos B.V. (Note 16)	–	–	1,272	–	–	**1,272**
Foreign currency translation	5,185	–	4,476	(10)	191	**9,842**
Other non-cash movements	–	–	–	205	47	**252**
Balance as of 31 December 2018	**19,901**	**3,342**	**193,652**	**(656)**	**148**	**216,387**
Principal amount	19,303	3,338	183,703	(656)	148	**205,836**
Interest payable	598	4	9,949			**10,551**

(All amounts in millions of Rubles unless otherwise stated)

17. Financial assets and liabilities (continued)

Reconciliation of cash flows from financing activities (continued)

	Bank loans and bonds	Equipment financing and finance lease	Loans received from related parties	Unamortised fees	Other	Total
Balance as of 31 December 2016	**179,041**	**3,834**	**34,077**	**(761)**	**583**	**216,774**
Principal amount	176,035	3,808	27,346	(761)	583	**207,011**
Interest payable	3,006	26	6,731	–	–	**9,763**
Cash flows						
Proceeds from borrowings	15,000	–	122,789	–	–	**137,789**
Repayment of borrowings	(120,216)	(432)	–	–	(171)	**(120,819)**
Interest paid	(11,264)	(371)	(10,674)	–	–	**(22,309)**
Unamortised fees paid	–	–	–	(990)	–	**(990)**
Non-cash movements						
Interest accrued	9,891	420	12,003	–	170	**22,484**
Foreign currency translation	(3,471)	(5)	3,474	7	(259)	**(254)**
Eurobonds purchased by VEON Holdings B.V.	(35,740)	–	35,740	–	–	**–**
Reclassification to liabilities held for sale	–	–	(1,270)	–	–	**(1,270)**
Other non-cash movements	–	121	–	893	169	**1,183**
Balance as of 31 December 2017	**33,241**	**3,567**	**196,139**	**(851)**	**492**	**232,588**
Principal amount	32,357	3,546	188,437	(851)	492	**223,981**
Interest payable	884	21	7,702	–	–	**8,607**

Major treasury events during 2018

On 13 November 2018, VEON Holdings B.V. (indirect subsidiary of VEON Ltd.) announced that it commenced a cash tender offer for any and all of the outstanding 7.5043% Notes due 2022 issued by VEON Holdings B.V. guaranteed by PJSC "VimpelCom" (Note 23) and 7.748% Loan Participation Notes due 2021, issued by, but with limited recourse to, VIP Finance Ireland Limited (SPE). The total principal outstanding amount of these bonds was USD 1,005 million of which USD 376.7 million was held by PJSC "VimpelCom" Group. The aggregate principal amount accepted for repurchase by VEON Holdings B.V. was USD 326.1 million (of which USD 114.7 million was held by PJSC "VimpelCom" Group), which was settled on 31 December 2018.

On 14 December 2018 PJSC "VimpelCom" entered into a framework note purchase agreement with VEON Holdings B.V. in relation to the tendered notes and VimpelCom was notified of the final terms of the repurchase on 11 January 2019. On 15 January 2019, PJSC "VimpelCom" bought the notes issued by VIP Finance Ireland Limited from VEON Holdings B.V. for further cancellation for a total purchase price of USD 129.2 million which comprise the principal amount of USD 114.7 million, USD 10.5 million of premium to bondholders, and USD 4 million of accrued interest.

As a result of the tender offer as of 15 January 2019 the outstanding principal amount of debt under the 7.748% Loan Participation Notes due in 2021, issued by, but with limited recourse to, VIP Finance Ireland Limited was USD 262 million (the equivalent of RUB 17,604 as of 15 January 2019 at the exchange rate provided by the Central Bank of Russia) and the outstanding principal amount of debt under the 7.5043% Notes due in 2022 issued by VEON Holdings B.V. and guaranteed by PJSC "VimpelCom" (Note 23) was USD 417 million (the equivalent of RUB 28,969 as of 31 December 2018 at the exchange rate provided by the Central Bank of Russia).

17. Financial assets and liabilities (continued)

Major treasury events during 2018 (continued)

The carrying value of the bonds subject to the purchase was adjusted on 15 January 2019 to reflect on the expected additional cash flows of the bonds stemming from the agreed premiums, to reflect the costs associated with the execution of the transaction and to reflect the write-off of the unamortized debt issuance costs (due to significantly reduced expected remaining time of the amortization period) in the total amount of USD 10.7 million (the equivalent of RUB 719 at the exchange rates as of the dates of the transactions, provided by the Central Bank of Russia). This adjustment to the carrying value of the bonds was recorded in January 2019 in the line “Other non-operating gain / (loss), net” of the consolidated income statement as part of the “Loss from early debt redemption” account to reflect on the nature of the adjustment.

Major treasury events during 2017

On 2 March 2017, PJSC “VimpelCom” announced the reset of the coupon rate on its 10% puttable Ruble bonds for outstanding principal amount of RUB 15,057 maturing in March 2022. The new coupon rate of 7.00% per annum is applicable for the next six coupon periods (next three years) to be reset again in March 2020. Following the reset of the coupon rate, bondholders exercised their put options in aggregate principal amounts of RUB 14,461 which was repaid in March 2017. Subsequent to the settlement, the total outstanding principal amount of 7% Ruble bonds was RUB 597.

On 16 March 2017 and on 10 April 2017, PJSC “VimpelCom” drew down RUB 4,000 and RUB 11,000, respectively, under its revolving credit facility with Sberbank of Russia. The facility matured on 29 May 2017 and was fully repaid.

On 24 May 2017, PJSC “VimpelCom” fully repaid outstanding credit facilities with Sberbank of Russia in the total amount of RUB 66,292, including RUB 65,349 of principal and RUB 943 of interest.

On 15 June 2017, PJSC “VimpelCom” fully repaid outstanding credit facility signed with HSBC Bank plc on 26 April 2011 in the total amount of RUB 414 including RUB 412 of principal and RUB 2 of interest.

On 15 June 2017, PJSC “VimpelCom” fully repaid outstanding credit facilities signed with Cisco Systems Finance International on 24 October 2014, 30 April 2014 and 24 September 2015 in the total amount of RUB 670, including RUB 657 of principal and RUB 13 of interest.

On 20 June 2017, PJSC “VimpelCom” fully repaid outstanding credit facility signed with HSBC Bank plc and Nordea Bank AB (publ) 9 October 2012 in the total amount of RUB 1,851 including RUB 1,823 of principal and RUB 28 of interest.

On 30 May 2017, VEON Holdings B.V. announced that it commenced a cash tender offer for any and all of the outstanding 7.5043% Notes due 2022 issued by VEON Holdings B.V. guaranteed by PJSC “VimpelCom” (Note 23) and 9.125% and 7.748% Loan Participation Notes due 2018 and 2021, respectively, issued by, but with limited recourse to, VIP Finance Ireland Limited (SPE). The total principal outstanding amount of these bonds was USD 2,430 million of which USD 1,149.7 million was held by PJSC “VimpelCom” Group. The aggregate principal amount accepted for repurchase by VEON Holdings B.V. was USD 1,258.7 million (of which USD 607.1 million was held by PJSC “VimpelCom” Group), which was settled on or before 29 June 2017.

On 19 June 2017 and 29 June 2017, PJSC “VimpelCom” bought the notes issued by VIP Finance Ireland Limited from VEON Holdings B.V. for further cancellation for a total purchase price of USD 694.8 million which comprise the principal amount of USD 607.1 million, USD 64.7 million of premium to bondholders, USD 12.2 million of accrued interest and USD 10.8 million of cost related to this transaction.

(All amounts in millions of Rubles unless otherwise stated)

17. Financial assets and liabilities (continued)

Major treasury events during 2017 (continued)

As a result of the tender offer as of 29 June 2017 the outstanding principal amount of debt under the 9.125% and 7.748% Loan Participation Notes due in 2018 and 2021, respectively, issued by, but with limited recourse to, VIP Finance Ireland Limited was USD 542.6 million (the equivalent of RUB 32,307 as of 29 June 2017 at the exchange rate provided by the Central Bank of Russia) and the outstanding principal amount of debt under the 7.5043% Notes due in 2022 issued by VEON Holdings B.V. and guaranteed by PJSC “VimpelCom” (Note 23) was USD 628.5 million (the equivalent of RUB 37,422 as of 29 June 2017 at the exchange rate provided by the Central Bank of Russia).

The carrying value of the bonds subject to the purchase was adjusted on 29 June 2017 upon closing of the tender to reflect on the expected additional cash flows of the bonds stemming from the agreed premiums amounting to USD 64.7 million (the equivalent of RUB 3,737 at the exchange rates as of the dates of the transactions, provided by the Central Bank of Russia) and the costs associated with the execution of the transaction amounting to USD 10.8 million (the equivalent of RUB 624 at the exchange rates as of the dates of the transactions, provided by the Central Bank of Russia). This adjustment to the carrying value of the bonds was recorded in the line “Other non-operating gain / (loss), net” (Note 5) of the consolidated income statement as part of the “Loss from early debt redemption” account to reflect on the nature of the adjustment. The unamortized debt issuance costs amounted to USD 1.2 million (the equivalent of RUB 69 at the exchange rates as of the dates of the transactions, provided by the Central Bank of Russia) were released to the consolidated income statement and was also recorded in the line “Other non-operating gain / (loss), net” (Note 5) of the consolidated income statement as part of the “Loss from early debt redemption” account at the date of the closing due to significantly reduced expected remaining time of the amortization period.

On 5 October 2017, PJSC “VimpelCom” announced the reset of the coupon rate on its Exchange Ruble bonds for outstanding principal amount of RUB 25,000 maturing in October 2025. The new coupon rate of 1% per annum is applicable for the next six coupon periods (next three years) to be reset again in October 2020. Following the reset of the coupon rate, bondholders exercised their put options in aggregate principal amount of RUB 24,495 which was repaid on 18 October 2017. Subsequent to the settlement, the total outstanding principal amount of 1% Ruble bonds was RUB 505.

Significant changes in financial assets and liabilities also relate to the loans received from related parties and the amount of interest due on them, loans granted to related parties and the amount of interest due on them as further described in Note 22.

Offsetting financial assets and liabilities

For the financial assets and liabilities subject to netting arrangements, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities are settled on a gross basis.

The major arrangements applicable for the Group are agreements with national and international interconnect operators and agreements with roaming partners.

Several entities of the Group have entered into International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements or equivalent documents with their counterparties, governing the derivative transactions entered into between these entities and their counterparties. These documents provide for set-off of outstanding derivative positions in the event of termination if an Event of Default of either entity or the counterparty occurs.

As of 31 December 2018	**Gross amounts recognized**	**Gross amounts set off in the consolidated statement of financial position**	**Net amounts presented in the consolidated statement of financial position**
Trade and other receivables	23,116	(67)	23,049
Trade and other payables	63,475	(67)	63,408

(All amounts in millions of Rubles unless otherwise stated)

17. Financial assets and liabilities (continued)

Offsetting financial assets and liabilities (continued)

As of 31 December 2017	Gross amounts recognized	Gross amounts set off in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position
Trade and other receivables	23,854	(213)	23,641
Trade and other payables	51,925	(213)	51,712

Settlement agreement

On 20 April 2018 PJSC “VimpelCom” and the related party of the Group Tacom, LLC made a settlement agreement. On 23 April 2018, the settlement agreement between PJSC “VimpelCom” and Tacom, LLC was approved by the resolution of the Ninth Arbitration Appeal Court. The court decision came into force on 23 April 2018. As a result of the settlement agreement, VimpelCom's obligations under the mutual international traffic agreement in the amount of USD 20.8 million were terminated. In order to reflect this adjusting event, the Company adjusted the amounts of liabilities recognised in its financial statements (line “Trade and other payables”) as of 31 March 2018 in the amount of USD 20.8 million (the equivalent to RUB 1,194 at the exchange rate provided by the Central Bank of Russia as of 31 March 2018).

Foreign exchange contracts

VimpelCom enters into short-term forwards agreements with several banks in order to protect cash flows of its short-term financial obligations denominated in USD from adverse USD-RUB movements. As of 31 December 2018, there was outstanding derivative (forward) in total amount 300 million USD with an execution rate of 66.32125. As of 31 December 2017, there were no outstanding derivatives.

Accounting policies

Derivative financial instruments

VimpelCom enters into derivative contracts, including swaps, forward contracts and options to manage certain foreign currency and interest rate exposures. Any derivative instruments for which no hedge accounting is applied are recorded at fair value with any fair value changes recognized directly in the consolidated income statement. Although some of the derivatives entered into by the Company have not been designated in hedge accounting relationships, they act as economic hedges and offset the underlying transactions when they occur.

Source of estimation uncertainty

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques, including discounted cash flows model. The inputs to these models are taken from observable markets, but when this is not possible, a degree of judgment is required in establishing fair values. The judgments include considerations regarding inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(All amounts in millions of Rubles unless otherwise stated)

18. Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents in the consolidated statement of financial position are comprised of cash at banks and on hand and highly liquid investments that are readily convertible to known amounts of cash, are subject to only an insignificant risk of changes in value and have an original maturity of less than three months (92 days).

Cash and cash equivalents consisted of the following items as of 31 December:

	31 December 2018	31 December 2017
Cash and cash equivalents at banks and on hand	**28,470**	22,863
Short–term deposits with an original maturity of less than three months	**950**	2,100
Total cash and cash equivalents	**29,420**	24,963

Cash at banks earns interest at floating rates based on bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

As of 31 December 2018 and 2017, there were no restricted cash and cash equivalent balances.

19. Financial risk management

The Group's principal financial liabilities consist of loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has loans given, trade and other receivables, cash and short-term deposits that are derived directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Company's senior management together with the senior management of its ultimate parent company VEON Ltd. manages these risks with support of the treasury function, who proposes the appropriate financial risk governance framework for the Group, identifies and measures financial risks and suggests mitigating actions. Also, the Board of Directors of VEON Ltd., supported by its Finance Committee, approves the financial risk management framework and oversees its enforcement.

Market risk

Market risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's financial assets and long-term debt obligations. The Company manages its interest rate risk exposure through a portfolio of primarily fixed rate loans and borrowings.

As of 31 December 2018 approximately 88% of the Company's borrowings are at a fixed rate of interest (31 December 2017: 89%).

The Group is exposed to possible changes in interest rates on variable interest loans and borrowings, variable loans granted partially mitigated through related derivative financial instruments, cash and cash equivalents and current deposits. With all other variables held constant, the Company's profit or loss is affected through changes in the floating rate of loans received from related parties, loans granted to related parties, cash and cash equivalents and current deposits. An increase or decrease of 100 basis points in interest rates would have the following impact on the Company's income statement and other comprehensive income:

(All amounts in millions of Rubles unless otherwise stated)

19. Financial risk management (continued)

Interest rate risk (continued)

Interest rate sensitivity	+ Increase / - decrease in basis points	Effect on profit before tax / equity 2018	2017
US Dollar	+100	**434**	288
Euro	+100	**8**	4
Kazakh Tenge	+100	**8**	8
Uzbek Som	+100	**58**	82
Russian Ruble	+100	**(234)**	(225)
Other currencies	+100	**5**	3
US Dollar	-100	**(434)**	(288)
Euro	-100	**(8)**	(4)
Kazakh Tenge	-100	**(8)**	(8)
Uzbek Som	-100	**(58)**	(82)
Russian Ruble	-100	**234**	225
Other currencies	-100	**(5)**	(3)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the debt denominated in currencies other than their functional currency of the relevant entity, the Company's operating activities (predominantly capital expenditures denominated in a different currency from the functional currency) and the Company's net investments in foreign subsidiaries. The Company manages its foreign currency risk by selectively hedging committed exposures.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a possible change in exchange rates against the US Dollar with all other variables held constant. Additional sensitivity changes to the indicated currencies are expected to be approximately proportionate. The table shows the effect on the Company's profit before tax (due to changes in the value of monetary assets and liabilities, including non-designated foreign currency derivatives) and equity (due to the effect on the cash flow hedge reserve and/or effect on currency translation reserve for quasi-equity loans). The Company's exposure to foreign currency changes for all other currencies is not material.

	Change in foreign exchange rate against USD	Effect on profit / (loss) before tax 2018	2017	Effect on other comprehensive income 2018	2017
Russian Ruble	10% depreciation	**(640)**	314	–	–
Kazakh Tenge	10% depreciation	**69**	80	–	–
Uzbek Sum	10% depreciation	**(37)**	(691)	–	–
Georgian Lari	10% depreciation	**(2,365)**	(1,847)	–	–
Armenian Dram	10% depreciation	**(24)**	(27)	–	–
Kyrgyzstani Som	10% depreciation	**241**	131	–	–
Other currencies	10% depreciation	–	4	–	–
Russian Ruble	10% appreciation	**703**	(346)	–	–
Kazakh Tenge	10% appreciation	**(76)**	(88)	–	–
Uzbek Sum	10% appreciation	**40**	760	–	–
Georgian Lari	10% appreciation	**2,602**	2,032	–	–
Armenian Dram	10% appreciation	**26**	30	–	–
Kyrgyzstani Som	10% appreciation	**(265)**	(144)	–	–
Other currencies	10% appreciation	–	(4)	–	–

19. Financial risk management (continued)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily from trade receivables) and from its treasury activities, including deposits with banks and financial institutions, derivative financial instruments and other financial instruments.

Trade accounts receivable consist of amounts due from customers and payment agents for airtime usage and amounts due from dealers and customers for equipment sales. In certain circumstances, VimpelCom requires deposits as collateral for airtime usage. In addition, VimpelCom has introduced a prepaid service and equipment sales are typically paid in advance of delivery, except for equipment sold to dealers on credit terms. VimpelCom's credit risk arising from the services the Company provides to customers is mitigated to a large extent due to the majority of its active customers being subscribed to a prepaid service as of 31 December 2018 and 31 December 2017 and, accordingly, not giving rise to credit risk.

VimpelCom's credit risk arising from its trade accounts receivable from dealers is mitigated due to the risk being spread across a large number of dealers. Management periodically reviews the history of payments and credit worthiness of the dealers. The Company also has receivables from other local and international operators from interconnect and roaming services provided to their customers, as well as receivables from customers using fixed-line services, such as business services, wholesale services and services to residents. Receivables from other operators for roaming services are settled through clearing houses, which helps to mitigate credit risk in this regard.

VimpelCom holds available cash in bank accounts as well as other financial assets with financial institutions in countries where it operates. To manage credit risk associated with such asset holdings, VimpelCom allocates its available cash to a variety of local banks and local affiliates of international banks within the limits set forth by its treasury policy. Management periodically reviews the credit worthiness of the banks with which it holds assets.

VimpelCom issues advances to a variety of its vendors of property and equipment for its network development. The contractual arrangements with the most significant vendors provide for equipment financing in respect of certain deliveries of equipment. VimpelCom periodically reviews the financial position of vendors and their compliance with the contract terms.

The Company's maximum exposure to credit risk for the components of the consolidated statement of financial position as of 31 December 2018 and 31 December 2017 are the carrying amounts of financial instruments as illustrated in Note 17, the carrying amounts of trade and other receivables and cash and cash equivalents as presented in the consolidated statement of financial position and the amounts of the related party loans guaranteed by the Company as disclosed in Note 23.

Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, bonds, loans, debentures and lease agreements. The Company's policy is to create a balanced debt maturity profile. As of 31 December 2018, 8% (31 December 2017: 10%) of the Company's debt will mature in less than one year based on the carrying value of bank loans, bonds, equipment financing and loans received from related parties reflected in the consolidated financial statements. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low based on liquidity in the markets the Company has access to, and recent history of refinancing. The Company believes that access to sources of funding is sufficiently available and the Company's policy is to diversify the funding sources where possible. Furthermore VEON Ltd. or its subsidiaries can act as a lender of funds (Note 22).

(All amounts in millions of Rubles unless otherwise stated)

19. Financial risk management (continued)

Maturity profile

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments. The total amounts in the table differ from the carrying amounts as stated in Note 17 as the below table includes both notional amounts and interest while the carrying amounts are based on amongst others notional amounts, fair value adjustments and unamortized fees. Related information on guarantees issued is disclosed in Note 23.

As of 31 December 2018	On demand / less than 1 year 2019	1-3 years 2020-2021	3-5 years 2022-2023	More than 5 years > 2023	Total
Bonds	1,711	21,444	–	–	**23,155**
Loans from related parties	27,107	96,950	97,627	38,898	**260,582**
Equipment financing and finance lease liabilities	1,192	1,317	1,191	2,280	**5,980**
Trade and other payables	63,408	–	–	–	**63,408**
Customer advances*	7,720	–	–	–	**7,720**
Total financial liabilities	**101,138**	**119,711**	**98,818**	**41,178**	**360,845**
Related derivatives financial assets					
- Gross cash inflows	(20,841)	–	–	–	**(20,841)**
- Gross cash outflows	19,896	–	–	–	**19,896**
Total related derivative financial assets, net	**(945)**	–	–	–	**(945)**
Total financial liabilities, net of related derivative financial assets	**100,193**	**119,711**	**98,818**	**41,178**	**359,900**

* *The amounts relate to mobile customer advances in Russia and Kazakhstan, which are financial liability as of 31 December 2018.*

As of 31 December 2017	On demand / less than 1 year 2018	1-3 years 2019-2020	3-5 years 2021-2022	More than 5 years > 2022	Total
Bonds	12,725	5,461	24,229	2,458	**44,873**
Loans from related parties	30,767	60,362	157,130	32,252	**280,511**
Equipment financing and finance lease liabilities	319	–	–	–	**319**
Trade and other payables	51,712	–	–	–	**51,712**
Customer advances*	8,258	–	–	–	**8,258**
Total financial liabilities	**103,781**	**65,823**	**181,359**	**34,710**	**385,673**

* *The amounts relate to mobile customer advances in Russia and Kazakhstan, which are financial liability as of 31 December 2017.*

Capital management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to meet current debt covenants requirements and secure access to debt and capital markets at all times and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

20. Issued capital and reserves

Common shares

As of 31 December 2018 and 2017, PJSC "VimpelCom" had 51,281,022 issued and outstanding, fully paid registered common shares at a nominal value of 0.5 kopecks each. As of 31 December 2018, 51,281,021 common shares of PJSC "VimpelCom were owned by VEON Holdings B.V., the wholly-owned indirect subsidiary of VEON Ltd. and 1 common share was owned by VEON Ltd., the ultimate parent of the Group. In addition to the issued and outstanding shares, the Company shall have the right to issue an additional 38,718,978 common registered shares having a nominal value of 0.5 kopecks each (authorized shares).

Each fully paid common shares are, subject to Charter of PJSC "VimpelCom" and Russian law, entitles its holder to: (a) participate in shareholder general meetings; (b) have one vote on all issues voted upon at a general shareholder meeting, except for the purposes of cumulative voting for the election of the Board of Directors, in which case each common share shall have the same number of votes as the total number of members to be elected to the Board Directors and all such votes may be cast for a single candidate or may be distributed between or among two or more candidates; (c) receive dividends approved by the general shareholder meeting; (d) in the event of our liquidation, receive a pro rata share of value of the property (or the portion of the value of the property); (e) any other rights set forth in Charter of PJSC "VimpelCom" and Russian law.

Convertible preference shares

As of 31 December 2018, PJSC "VimpelCom" had issued and outstanding 6,426,600 Type A preferred shares. As of 31 December 2018 and 2017, all Type A preferred shares (6,426,600 shares) were owned by VEON Holdings B.V. Each share of preferred stock entitles its holder (i) to participate in Shareholders' General Meetings with the right to vote on all issues (each preferred share shall have one vote at a Shareholders' General Meeting); (ii) to receive annually a fixed dividend of 0.1 of a kopeck per preferred share and (iii) to receive a fixed liquidation value of 0.5 of a kopeck per preferred share in the event of VimpelCom's liquidation, to the extent there are sufficient funds available; (iv) to include issues on the agenda of the Shareholders' General Meeting. Each share of preferred stock is convertible into one share of common stock at any time after 30 June 2016, at the election of the holder upon payment to VimpelCom of a conversion premium equal to 100% of the market value of one share of common stock at the time of conversion.

Nature and purpose of reserves

Other capital reserves

Other capital reserves are mainly used to recognize the results of transactions that do not result in a change of control with non-controlling interest and to recognize the results of transactions under common control.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. The increase in the foreign currency reserve relates mainly to the depreciation of the RUB and strengthening the of emerging markets currencies in which VimpelCom operates.

21. Dividends

On 29 June 2018, in the annual general meeting of shareholders of PJSC "VimpelCom" the decision was adopted to pay annual dividends in the monetary form based on 2017 financial year results: (1) to holders of common registered shares in the amount of seven hundred two rubles 5 kopecks per one common share for the total amount of RUB 36,001.84 for all common registered shares in the aggregate; and (2) to holders of preferred type "A" registered shares in the amount of 0.1 kopecks per one preferred type "A" registered share for a total amount of RUB 0.006 for all preferred type "A" registered shares in the aggregate. In July 2018, PJSC "VimpelCom" paid annual dividends to the shareholders based on 2017 financial year results in the amount of RUB 34,201.75, net of tax withheld. In accordance with Russian tax legislation, PJSC "VimpelCom" withheld a tax on dividend payments in the amount of RUB 1,800.09.

(All amounts in millions of Rubles unless otherwise stated)

Additional information

22. Related parties

As of 31 December 2018 and 2017, PJSC "VimpelCom" was a wholly-owned indirect subsidiary of VEON Ltd. As of 31 December 2018, VEON Ltd. was primarily owned by L1T VIP Holdings S.à r.l., a member of the LetterOne group of companies. VEON Ltd. has no ultimate controlling shareholder.

During 2017, VEON Ltd. was primarily owned by two largest shareholders: L1T VIP Holdings S.à r.l., a member of the Letter One group of companies, and Telenor East Holding II AS, a member of the Telenor group of companies (hereinafter: "Telenor"). Since 8 December 2017 VimpelCom does not consider Telenor to be related party. The transactions with Telenor mainly represented telecommunication services including roaming operations between our operating companies and Telenor.

Outstanding balances and transactions with subsidiaries of VEON Ltd. including Kyivstar and Teta Telecom and its subsidiaries, mainly represented telecommunication services.

The following tables provide the total amount of transactions that have been entered into with related parties and balances of accounts with them for the relevant financial years:

	For the years ended 31 December	
	2018	**2017**
Revenue from VEON Ltd. and its subsidiaries:		
- Revenue from Teta Telecom and its subsidiaries	**938**	1,103
- Revenue from Kyivstar	**781**	1,097
- Revenue from VEON Ltd. and its other subsidiaries	**1,709**	1,031
Revenue from joint ventures	**17**	178
Revenue from other related parties	**144**	317
Revenue from Telenor	**–**	55
	3,589	3,781
Services from VEON Ltd. and its subsidiaries:		
- Services from Teta Telecom and its subsidiaries	**3,731**	3,765
- Services from Kyivstar	**1,658**	2,164
- Services from VEON Ltd. and its other subsidiaries	**10,152**	15,358
Services from joint ventures	**239**	1,634
Services from other related parties	**74**	55
Services from Telenor	**–**	57
	15,854	23,033
Finance income from VEON Ltd. and its subsidiaries	**3,141**	746
Finance costs from VEON Ltd. and its subsidiaries	**19,375**	12,313
Other loss from VEON Ltd. and its subsidiaries	**331**	638

(All amounts in millions of Rubles unless otherwise stated)

22. Related parties (continued)

	As of 31 December 2018	As of 31 December 2017
Accounts receivable from VEON Ltd. and its subsidiaries:		
- Accounts receivable from Teta Telecom and its subsidiaries	**38**	474
- Accounts receivable from Kyivstar	**341**	310
- Accounts receivable from VEON Ltd. and its other subsidiaries	**507**	762
Accounts receivable from other related parties	**1**	136
Accounts receivable from joint ventures	**–**	697
	887	2,379
Accounts payable to VEON Ltd. and its subsidiaries:		
- Accounts payable to Teta Telecom and its subsidiaries	**443**	675
- Accounts payable to Kyivstar	**304**	185
- Accounts payable to VEON Ltd. and its other subsidiaries	**14,859**	11,100
Accounts payable to other related parties	**3**	2
Accounts payable to joint ventures	**–**	225
	15,609	12,187
Loans granted to VEON Ltd. and its subsidiaries	**55,453**	73,211
Interest receivable from VEON Ltd. and its subsidiaries	**222**	252
Loans received from VEON Ltd. and its subsidiaries	**183,703**	188,437
Interest payable to VEON Ltd. and its subsidiaries	**9,947**	7,703
Unamortised fees related to loans received from VEON Ltd. and its subsidiaries	**656**	800
Loans received from VEON Ltd. and its subsidiaries classified as liabilities directly associated with the assets classified as held for sale*	–	1,239
Interest payable to VEON Ltd. and its subsidiaries related to loans received classified as liabilities directly associated with the assets classified as held for sale*	–	34

* The loans related to VimpelCom Lao Company Ltd. (subsidiary of the PJSC "VimpelCom") were reclassified to liabilities directly associated with the assets classified as held for sale on 30 June 2017. The total outstanding amount as of 31 December 2017 was USD 21.5 million (the equivalent of RUB 1,238 as of 31 December 2017 at the exchange rate provided by the Central Bank of Russia). In March 2018 VEON Micro Holdings B.V. sold all these loans to VimpelCom Holding Laos B.V. (subsidiary of the PJSC "VimpelCom").

(All amounts in millions of Rubles unless otherwise stated)

22. Related parties (continued)

Loans granted to VEON Ltd. and its subsidiaries

As of 31 December 2018 and 31 December 2017, the principal amounts of loans granted to VEON Ltd. and its subsidiaries were as follows:

Lender	Borrower	Date of agreement	Maturity	Interest rate	Currency	31 December 2018	31 December 2017
PJSC "VimpelCom" [1]	VEON Holdings B.V.	13 Dec. 2017	< 3 months	8.0%	RUB / USD	**25,580**	49,873
VEON Armenia, CJSC[2]	VEON Holdings B.V.	7 Aug. 2017	On demand	LIBOR+0.8%	USD	**15,680**	12,415
Golden Telecom Inc.[3]	VEON Holdings B.V.	31 Jan. 2018	On demand	LIBOR+0.7%	USD	**9,903**	–
VEON Eurasia S.à r.l.[4]	VEON Holdings B.V.	31 Mar. 2017	On demand	LIBOR+0.6%	USD	**2,380**	8,720
KaR-Tel, LLP[5]	TNS-Plus	2007-2011	2020–2021	9.46%	KZT	**743**	1,109
Clafdor Investments Ltd.[6]	VEON Holdings B.V.	4 June 2018	On demand	LIBOR+0.6%	USD	**695**	–
VEON Eurasia S.à r.l.[7]	VEON Holdings B.V.	12 Nov. 2018	Nov., 2019	LIBOR+1.05%	USD	**472**	–
VEON Eurasia S.à r.l.[8]	VEON Micro Holdings B.V.	26 Feb. 2016	Mar., 2018	5.00%	USD	**–**	1,094
Total						**55,453**	73,211

[1] For the year ended 31 December 2018 PJSC "VimpelCom" provided VEON Holdings B.V. with the equivalent of RUB 96,014 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia) and VEON Holdings B.V. repaid the equivalent of RUB 121,051 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia). The amount of interest capitalized for the year ended 31 December 2018 was RUB 743 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia). In in the first quarter of 2019, PJSC "VimpelCom" provided VEON Holdings B.V. with the equivalent of RUB 23,526 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia) while VEON Holdings B.V. repaid the equivalent of RUB 25,202 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia);

[2] The amount of interest capitalized for the year ended 31 December 2018 was USD 6.17 million. On 1 October 2018, CJSC VEON Armenia provided VEON Holdings B.V. with USD 4 million (the equivalent of RUB 262 as of 1 October 2018 at the exchange rate provided by the Central Bank of Russia);

[3] On 31 January 2018, Golden Telecom Inc. (subsidiary of the PJSC "VimpelCom") signed a current account agreement with VEON Holdings B.V. for a maximum amount of USD 150 million. The agreement has maturity date of five years and the interest rate amounts to one-month LIBOR+0.7%. For the year ended 31 December 2018 the net changes in the current account amounted to USD 143 million (the equivalent of RUB 8,009 as of the date of each transaction at the exchange rate provided by the Central Bank of Russia);

[4] For the year ended 31 December 2018 the net changes in loans amounted to USD (117.14) million (the equivalent of RUB (7,434) as of the date of each transaction at the exchange rates provided by the Central Bank of Russia). In in the first quarter of 2019, the net changes in deposits amounted to USD 64.78 million (the equivalent of RUB 4 300 as of the date of each transaction at the exchange rates provided by the Central Bank of Russia);

[5] In June 2018, TNS-Plus repaid KZT 2,284 million to KaR-Tel, LLP (the equivalent of RUB 425 as of the dates of each transaction at the exchange rate provided by the Central Bank of Russia);

[6] On 4 June 2018, Clafdor Investments Ltd. (subsidiary of the PJSC "VimpelCom") signed a current account agreement with VEON Micro Holdings B.V. for a maximum amount of USD 10 million. The agreement has no maturity date and the funds can be withdrawn by Clafdor Investments Ltd. by giving at least 30 days written notice. The interest rate amounts to LIBOR+0.6%. On 5 June 2018, Clafdor Investments Ltd. deposited USD 10 million (the equivalent of RUB 619 as of the date of transaction at the exchange rates provided by the Central Bank of Russia);

[7] On 12 November 2018, VEON Eurasia S.à r.l. (subsidiary of the Company) entered into a loan agreement with VEON Holdings B.V. The interest rate per agreement is LIBOR+1.05%, the maturity is 12 months from date of execution. On 14 November 2018, VEON Holdings B.V. drew down USD 6.8 million (the equivalent of RUB 460 as of 14 November 2018 at the exchange rate provided by the Central Bank of Russia);

[8] On 26 February 2016, VEON Eurasia S.à r.l. (subsidiary of the Company) entered into a term loan facility agreement with related party VEON Micro Holdings B.V. On 15 March 2016, VEON Eurasia S.à r.l. provided loan in the total amount of the facility of USD 19 million (the equivalent of RUB 1,333 as of 15 March 2016 at the exchange rate provided by the Central Bank of Russia). In the first quarter of 2018 the repayment date was reassigned and the loan was fully repaid on 29 March 2018.

(All amounts in millions of Rubles unless otherwise stated)

22. Related parties (continued)

Loans received from VEON Ltd. and its subsidiaries

As of 30 December 2018 and 31 December 2017, the principal amounts of loans received from VEON Ltd. and its subsidiaries were as follows:

Lender	Borrower	Date of agreement	Maturity	Interest rate	Currency	31 December 2018	31 December 2017
VEON Luxembourg Finance S.A.	PJSC "VimpelCom"	19 May 2017	May, 2022	11.40%	RUB	**95,000**	95,000
VEON Luxembourg Finance S.A.	PJSC "VimpelCom"	19 Jun 2017	Jun., 2022	11.00%	RUB	**40,100**	40,100
VEON Luxembourg Finance S.A.	PJSC "VimpelCom"	11 Oct 2017	Oct., 2022	125% of the key rate	RUB	**15,000**	15,000
VEON Luxembourg Finance S.A.	VEON Georgia, LLC	26 Mar 2015	Mar., 2032	6.50%	USD	**15,833**	13,133
VEON Luxembourg Finance S.A.	PJSC "VimpelCom"	9 Aug 2017	Aug., 2022	125% of the key rate	RUB	**9,454**	9,454
VEON Holdings B.V.[1]	PJSC "VimpelCom"	14 Feb 2013	Jan., 2019	7.748%	USD	**7 969**	–
VEON Luxembourg Finance S.A.[2]	VEON Georgia, LLC	9 Jan 2018	Dec., 2019	6.50%	USD	**347**	–
VEON Holdings B.V.[3]	PJSC "VimpelCom"	14 Feb 2013	Feb., 2018	9.60%	RUB	**–**	12,000
VEON Holdings B.V.[4]	PJSC "VimpelCom"	24 Jun 2016	Sep., 2021	5.91%	RMB	**–**	3,750
Total						**183,703**	188,437

[1] Eurobonds issued by VIP Finance Ireland purchased by VEON Holdings B.V. from the original bondholders. On 15 January 2019, PJSC "VimpelCom" bought the notes issued by VIP Finance Ireland Limited from VEON Holdings B.V. for further cancellation for a total purchase price of USD 129.2 million (Note 17);

[2] On 9 January 2018, "VEON Georgia" LLC signed a short-term loan facility agreement with VEON Luxembourg Finance S.A. for the amount of USD 5 million. The interest rate per agreement is 6.50% with initial maturity date of 30 June 2018. In the first quarter of 2018, "VEON Georgia" LLC drew down USD 5 million (the equivalent of RUB 285 as of the dates of each transaction at the exchange rates provided by the Central Bank of Russia). The agreement was subsequently further extended to 31 December 2019;

[3] On 7 February 2018, PJSC "VimpelCom" fully repaid principal outstanding of a credit facility agreement between PJSC "VimpelCom" and VEON Holdings B.V. dated 14 February 2013 in the amount of RUB 12,000 along with interest outstanding;

[4] On 22 March 2018, PJSC "VimpelCom" effected early repayment of a credit facility agreement between PJSC "VimpelCom" and VEON Holdings B.V. dated 24 June 2016 in the full amount of RMB 424 million along with interest outstanding. Credit facility was repaid in RUB based on the exchange rate provided by the Central Bank of Russia on the date of the repayment (RUB 3,850 of principal amount).

Compensation of key management personnel of the Company

The General Director and key vice presidents of PJSC "VimpelCom" are the key management personnel.

The amount of accrued remuneration to key management personnel of the Company for 2018 amounted to RUB 677.7 (2017: RUB 639.2). The amount of social insurance contributions related to accrued remuneration to key management personnel of the Company amounted to RUB 66.4 (2017: RUB 48.9). Remuneration to key management personnel of the Company is mainly represented by a short-term category of employee benefits.

Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured, settlements occur in cash. There have been no guarantees provided or received for any related party receivables or payables. The terms and amounts of the Company's guarantees of the related party loans that existed as of 31 December 2018 are disclosed in Note 23.

Impairment assessment over the Group loans granted to related parties and receivables owed by related parties

For the years ended 31 December 2018 and 31 December 2017, the impairment assessment of loans granted to related parties and receivables from related parties was undertook through examining the financial position of the related party and the market in which the related party operates. The Company accounts for the expected credit loss allowance for the Group loans granted to related parties and receivables due from related parties, deemed as intercompany loans from VEON Ltd. Group's perspective, in the same way as for the trade receivables and loans granted as ones from third parties, in accordance with IFRS 9.

22. Related parties (continued)

Impairment assessment over the Group loans granted to related parties and receivables owed by related parties (continued)

The Group assesses, on a forward-looking basis, the expected credit loss for loans given to related parties and receivables from related parties. The Group measures expected credit loss and recognizes net impairment losses at each reporting date. The measurement of expected credit loss reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Loans given are presented in the consolidated statement of financial position net of the allowance for expected credit loss. The Group applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their expected credit loss measured at an amount equal to the portion of lifetime expected credit loss that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months expected credit loss"). If the Group identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its expected credit loss is measured based on expected credit loss on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime expected credit loss"). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its expected credit loss is measured as a Lifetime expected credit loss.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for receivables from related parties similar to other trade and other receivables.

As of 31 December 2018, the Group performed the impairment assessment over the loans granted to related parties and receivables owed by related parties held by the Company. As a result, the calculated amount of the expected credit loss allowance over the loans granted to related parties and receivables owed by related parties held by the Company was determined as immaterial from the Company's perspective and was therefore not recognized as of 31 December 2018.

23. Risks, contingencies and uncertainties

Risks

Domestic and global economy risks

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2018. The operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Change in law and compliance risks

In the ordinary course of business, VimpelCom may be party to various legal and tax proceedings, including as it relates to compliance with the rules of the telecom regulators in the countries in which VimpelCom operates, competition law and anti-bribery and corruption laws. Non-compliance with such rules and laws may cause VimpelCom to be subject to claims, some of which may relate to the developing markets and evolving fiscal and regulatory environments in which VimpelCom operates. In the opinion of management, VimpelCom's liability, if any, in all pending litigation, other legal proceeding or other matters, other than what is discussed in this Note, will not have a material effect upon the financial condition, results of operations or liquidity of VimpelCom.

23. Risks, contingencies and uncertainties (continued)

Risks (continued)

Currency control risks

The imposition of currency exchange controls or other similar restrictions on currency convertibility in the countries in which VimpelCom operates could limit VimpelCom’s ability to convert local currencies or repatriate local cash in a timely manner or at all, as well as, remit dividends from the respective countries. Any such restrictions could have a material adverse effect on VimpelCom's business, financial condition and results of operations. The continued success and stability of the economies of these countries will be significantly impacted by their respective governments’ continued actions with regard to supervisory, legal and economic reforms.

Contingencies and uncertainties

Investigations by SEC/DOJ/OM

During the first quarter of 2016, VEON Ltd., the ultimate parent of the Company, reached resolutions through agreements with the U.S. Securities and Exchange Commission (“SEC”), the U.S. Department of Justice (“DOJ”), and the Dutch Public Prosecution Service (Openbaar Ministerie) (“OM”) relating to the previously disclosed investigations under the U.S. Foreign Corrupt Practices Act (the “FCPA”) and relevant Dutch laws, pertaining to the Company’s business in Uzbekistan and prior dealings with Takilant Ltd. Pursuant to these agreements, VEON Ltd. paid an aggregate amount of USD 795 million in fines and disgorgements to the SEC, the DOJ and the OM in the first quarter of 2016.

On 18 February 2016, the United States District Court for the Southern District of New York (the “District Court”) approved the agreements with the DOJ relating to charges that the VEON Ltd. and its subsidiary violated the anti-bribery, books-and-records and internal controls provisions of the FCPA. These agreements consisted of the deferred prosecution agreement (the “DPA”), entered into by VEON Ltd. and the DOJ and a guilty plea by Unitel LLC (“Unitel”), a subsidiary of VEON Ltd. and the Company operating in Uzbekistan. Under the agreements with the DOJ, VEON Ltd. agreed to pay a total criminal penalty of USD 230 million to the United States, including USD 40 million in forfeiture.

In connection with the investigation by the OM, VEON Ltd. and Silkway Holding BV, a wholly owned subsidiary of VEON Ltd. and the Company, entered into a settlement agreement (the “Dutch Settlement Agreement”) related to anti-bribery and false books-and-records provisions of Dutch law. Pursuant to the Dutch Settlement Agreement, VEON Ltd. agreed to pay criminal fines of USD 230 million and to disgorge a total of USD 375 million, which was satisfied by the forfeiture to the DOJ of USD 40 million, a disgorgement to the SEC of USD 167.5 million and a further payment to the OM of USD 167.5 million beyond the criminal fines.

VEON Ltd. also consented to the entry of a final judgment and incorporated consent (the “Final Judgment”), which was approved by the District Court on 22 February 2016, relating to the SEC’s complaint against VEON Ltd., which charged violations of the anti-bribery, books-and-records and internal controls provisions of the FCPA. Pursuant to the Final Judgment, VEON Ltd. agreed to a judgment ordering disgorgement of USD 375 million, to be satisfied by the forfeiture to the DOJ of USD 40 million, the disgorgement to the OM of USD 167.5 million, and a payment to the SEC of USD 167.5 million, and imposing a permanent injunction against future violations of the U.S. federal securities laws.

The DPA, the guilty plea, the Dutch Settlement Agreement and the Final Judgment comprise the terms of the resolution of the VEON Ltd.’s potential liabilities in the previously disclosed DOJ, SEC and OM investigations regarding VEON Ltd. and Unitel.

All amounts to be paid under the DPA, the guilty plea, the Dutch Settlement Agreement and the Final Judgment were paid by VEON Ltd. in the first quarter of 2016 and were deducted from the already existing provision of USD 900 million recorded by VEON Ltd. in the third quarter of 2015 and disclosed in the 2015 annual consolidated financial statements of VEON Ltd. The remaining provision of USD 105 million recorded by VEON Ltd. as of 31 December 2015 related to future direct and incremental expected legal fees associated with the resolutions.

23. Risks, contingencies and uncertainties (continued)

Contingencies and uncertainties (continued)

Investigations by SEC/DOJ/OM (continued)

In 2018, VEON Ltd. paid USD 7 million in legal fees (2017: USD 14 million), utilizing this provision. VEON Ltd. did not change its estimates in 2018, keeping the provision at USD 26 million as of 31 December 2018 (31 December 2017: USD 33 million).

VEON Ltd. cannot currently estimate the magnitude of future costs to be incurred to comply with the DPA, the SEC Judgment and the Dutch Settlement Agreement, but these costs could be significant.

The Company has considered previously the need to record the provision associated with the aforementioned investigations. Based on the final settlement terms, PJSC "VimpelCom" and its subsidiaries (including Unitel) would not be separately accountable for payment of any penalties. Instead, the fines and disgorgement that were paid by VEON Ltd. would cover all penalties potentially attributable to subsidiaries, and no fines will be imposed on the Company. Accordingly, no provision was considered necessary in the Company's financial statements.

Other contingencies and uncertainties

In addition to the individual matters mentioned above, the Company is involved in other disputes, litigation and regulatory inquiries and investigations, both pending and threatened, in the ordinary course of its business. The Company does not expect any liability arising from these contingencies to have a material effect on the results of operations, liquidity, capital resources or financial position of the Company. Furthermore, the Company believes it has provided for all probable liabilities arising in the ordinary course of its business.

For the ongoing matters where the Company has concluded that the potential loss arising from a negative outcome in the matter cannot be estimated, the Company has not recorded an accrual for the potential loss. However, in the event a loss is incurred, it may have an adverse effect on the results of operations, liquidity, capital resources, or financial position of the Company.

Guarantees in favour of VEON Holdings B.V.

On 29 June 2011, VEON Holdings B.V., a subsidiary owned by VEON Ltd., completed an offering of an aggregate principal amount of USD 2,200 million notes (the equivalent of RUB 62,117 as of 29 June 2011 at the exchange rate provided by the Central Bank of Russia) split between three-, five- and ten-year tranches, with an annual interest rates range of LIBOR plus 4.0% - 7.50%. The Company guaranteed these notes issues. On 2 April 2015, 19 June 2017 and 29 June 2017, VEON Amsterdam B.V. partially repurchased the current notes issued by VEON Holdings B.V. On 31 December 2018, VEON Holdings B.V. partially repurchased guaranteed notes issued by VEON Holdings B.V. on 29 June 2011 (Note 17). As of 31 December 2018 and 31 December 2017, the outstanding principal amount under the notes was USD 417 million (the equivalent of RUB 28,969 as of 31 December 2018 at the exchange rate provided by the Central Bank of Russia) and USD 628.5 million (the equivalent of RUB 36,202 as of 31 December 2017 at the exchange rate provided by the Central Bank of Russia), respectively. No triggering events under the guarantee occurred. The Company believes that probability of these events is remote.

Guarantees in favour of VEON Amsterdam B.V.

On 20 December 2012, VEON Amsterdam B.V. completed a term credit facility of USD 500 million (the equivalent of RUB 15,380 as of 20 December 2012 at the exchange rate provided by the Central Bank of Russia). The 8 years credit facility for VEON Amsterdam B.V. is committed by China Development Bank Corporation to finance Huawei equipment. The loan bears interest at the rate of LIBOR plus 3.30% per annum. VimpelCom guaranteed this term credit facility. As of 31 December 2017, the outstanding principal amount was USD 249.14 million (the equivalent of RUB 14,351 at the exchange rate provided by the Central Bank of Russia as of 31 December 2017). This credit facility was fully repaid on 26 March 2018. No triggering events under the guarantee occurred.

23. Risks, contingencies and uncertainties (continued)

Guarantees in favour of VEON Amsterdam B.V. (continued)

On 28 March 2013, VEON Amsterdam B.V. completed a term credit facility of USD 500 million (the equivalent of RUB 15,432 as of 28 March 2013 at the exchange rate provided by the Central Bank of Russia). The 8 years credit facility for VEON Amsterdam B.V. is committed by HSBC Bank plc to finance Ericsson equipment. The loan bears interest at the rate of CIRR plus 0.02% per annum. VimpelCom guaranteed this term credit facility. As of 30 June 2018 and 31 December 2017, the outstanding principal amount was USD 142.92 million (the equivalent of RUB 8,970 as of 30 June 2018 at the exchange rate provided by the Central Bank of Russia) and USD 158.81 million (the equivalent of RUB 9,147 as of 31 December 2017 at the exchange rate provided by the Central Bank of Russia), respectively. This credit facility was fully repaid on 21 September 2018. No triggering events under the guarantee occurred.

24. Events after the reporting period

On 9 January 2019, VIP Kazakhstan Holding AG, a subsidiary of the Company, declared dividends to its shareholders which were paid on 17 January 2019. The portion of dividends paid to the minority shareholder amounted to USD 23.88 million (the equivalent of RUB 1,659 as of 9 January 2019 at the exchange rate provided by the Central Bank of Russia (as of the date of dividends declared)).

In February 2019, PJSC “VimpelCom” entered into a purchase and sale agreement relating to acquisition of the remaining 47.95% shares in its subsidiary Nouse Limited. The ownership of these shares passed to PJSC “VimpelCom” on 27 February 2019 after payment of the amount of RUB 356 and PJSC “VimpelCom” became the sole shareholder of Nouse Limited.

Significant changes in financial assets and liabilities after the reporting period related to bonds subject to the purchase (Note 17) and movements in loans granted to related parties and loans received from related parties (Note 22).

25. Basis of preparation of the consolidated financial statements

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective at the time of preparing the consolidated financial statements and applied by VimpelCom.

The consolidated income statement has been presented based on the nature of the expense, other than “Selling, general and administrative expenses”, which has been presented based on the function of the expense.

The consolidated financial statements have been prepared on a historical cost basis, unless disclosed otherwise.

PJSC ”VimpelCom” maintains its accounting records and prepares its consolidated financial statements in accordance with the Regulations on Accounting, Reporting and tax legislation in the Russian Federation. PJSC ”VimpelCom”’s subsidiaries outside the Russian Federation maintain their accounting records in accordance with local regulations and tax legislation. The accompanying consolidated financial statements have been prepared from these accounting records and adjusted as necessary in order to comply with IFRS.

Basis of consolidation

The consolidated financial statements comprise the financial statements of PJSC “VimpelCom” and its subsidiaries. Subsidiaries are all entities (including structured entities) over which PJSC “VimpelCom” has control.

Intercompany transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group’s accounting policies.

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

Basis of consolidation (continued)

When the Group ceases to consolidate a subsidiary due to loss of control, the related subsidiary’s assets (including goodwill), liabilities, non-controlling interest and other components of equity are de-recognized. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss. Any consideration received is recognized at fair value, and any investment retained is re-measured to its fair value with the change in carrying amount, and this fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest. Any resultant gain or loss is recognized in the income statement.

Foreign currency translation

The consolidated financial statements of the Group are presented in Russian Rubles. Each entity in the Group determines its own functional currency and amounts included in the financial statements of each entity are measured using that functional currency.

As part of consolidation, the assets and liabilities of foreign operations are first translated into the functional currency of any intermediate parent entity (USD) and then translated from USD into Russian Rubles at the rate of exchange prevailing at the reporting date and their income statements are translated at the weighted average exchange rate for the period. The resulting exchange rate differences arising on translation of foreign operations are recognized in other comprehensive income (currency translation reserve). On disposal or loss of control of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss as part of the gain or loss on disposal; or as a reclassification within the equity in other reserves if it is a result of a transaction under common control.

Transactions denominated in foreign currencies are initially recognized at the exchange rate prevailing on the date of the transaction. At period end, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the closing exchange rate with differences taken to profit and loss. Non-monetary items carried at historical cost that are denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing on the initial transaction dates. Non-monetary items carried at fair value are translated into the functional currency at the exchange rate at the date when the fair value was determined.

As of 31 December 2018, the USD principal rate of exchange used for translating foreign currency balances was RUB 69.4706 for USD 1 (31 December 2017: RUB 57.6002 for USD 1).

26. Significant accounting policies

Significant accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements has required management to apply accounting policies and methodologies based on complex and subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances. The use of these judgements, estimates and assumptions affects the amounts reported in the consolidated income statement, consolidated statements of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows as well as the notes. The final amounts for items for which estimates and assumptions were made in the consolidated financial statements may differ from those reported in these statements due to the uncertainties that characterize the assumptions and conditions on which the estimates are based.

(All amounts in millions of Rubles unless otherwise stated)

26. Significant accounting policies (continued)

Significant accounting judgments, estimates and assumptions (continued)

The sources of uncertainty identified by the Group are described together with the applicable note, as follows:

Significant accounting judgement / source of estimation uncertainty	Described in:
Revenue recognition	Note 3
Provisions	Note 9
Deferred tax assets and uncertain tax positions	Note 10
Impairment of non-current assets	Note 12
Control over subsidiaries	Note 16
Depreciation and amortization of non-current assets	Note 13 and Note 14
Fair value of financial instruments	Note 17

Changes in accounting policies and disclosures

Accounting policies are included in the relevant notes to these financial statements. A number of new or amended standards became effective as of 1 January 2018. As a result, the Company has amended its accounting policies accordingly.

The following table presents the transitional impact that adoption of IFRS 9 “Financial Instruments” (“IFRS 9”) and IFRS 15 “Revenue from contracts with customers” (“IFRS 15”) had on the opening balance sheet of the Group, as of 1 January 2018. Further details regarding the impact of IFRS 9 and IFRS 15 can be found below.

	Impact of IFRS 9	Impact of IFRS 15	
	Impairment	Revenue and customer acquisition costs	Total impact of IFRS 9 and IFRS 15
Assets			
Non-current assets			
Deferred tax assets	20	(153)	**(133)**
Other assets	–	409	**409**
Current assets			
Trade and other receivables			
- Trade and other receivables, gross	–	–	–
- Allowance for doubtful debt	(189)	–	**(189)**
Equity and liabilities			
Equity attributable to equity owners of the parent	(151)	320	**169**
Non-controlling interests	(18)	64	**46**
Other liabilities	–	(128)	**(128)**

IFRS 15 “Revenue from contracts with customers”

IFRS 15 replaces IAS 18 “Revenue” and IAS 11 “Construction contracts” and related interpretations. IFRS 15 addresses revenue recognition for contracts with customers as well as treatment of incremental costs incurred to obtain a contract with a customer, described in more detail below.

Revenue recognition

Due to the nature of the Group’s existing product offerings (i.e. prevailing pre-paid service offerings), as well as the Group’s existing accounting policies applied prior to 1 January 2018, the impact of IFRS 15 on revenue recognition by the Group was immaterial, as shown in the table presented earlier in this Note, accordingly the Group does not reinstate the disclosure of corresponding accounting policies applied prior to 1 January 2018 in these financial statements.

26. Significant accounting policies (continued)

Changes in accounting policies and disclosures (continued)

IFRS 15 “Revenue from contracts with customers” (continued)

Costs of obtaining a contract with customer

Under IFRS 15, certain incremental costs incurred in acquiring a contract with a customer (“customer acquisition costs”), which previously did not qualify for recognition as an asset under any of the other accounting standards, are deferred in the consolidated statement of financial position.

The impact of capitalizing contract costs upon implementation of IFRS 15 is shown in the table earlier in this Note.

Transition

The standard is effective for annual periods beginning on or after 1 January 2018. The Group has adopted the standard using the modified retrospective approach, which means that the cumulative impact of the adoption has been recognized in retained earnings as of 1 January 2018 and that comparatives have not been restated.

The impact that adoption of IFRS 15 has had on the opening balance sheet of the Group, as of 1 January 2018, is shown in the table presented earlier in this Note. The impact that adoption of IFRS 15 has had on the Group’s profit / (loss) for 2018, if compared to accounting policies that were applied in previous years, was immaterial.

IFRS 9 “Financial instruments”

IFRS 9 replaces IAS 39 “Financial instruments: Recognition and Measurement” (“IAS 39”). IFRS 9 impacts the Group’s classification and measurement of financial instruments, impairment of financial assets and hedge accounting, described in more detail below.

Classification and measurement

The new standard requires the Company to assess the classification of financial assets on its statement of financial position in accordance with the cash flow characteristics of the financial assets and the relevant business model that the Company has for a specific class of financial assets.

IFRS 9 no longer has an “Available-for-sale” classification for financial assets. The new standard has different requirements for debt or equity financial assets.

Debt instruments should be classified and measured either at:

- Amortized cost, where the effective interest rate method will apply;
- Fair value through other comprehensive income, with subsequent recycling to the income statement upon disposal of the financial asset; or
- Fair value through profit or loss.

Investments in equity instruments, other than those to which consolidation or equity accounting apply, should be classified and measured either at:

- Fair value through other comprehensive income, with subsequent recycling to the income statement upon disposal of the financial asset; or
- Fair value through profit or loss.

The company continues to initially measure financial assets at its fair value plus transaction cost upon initial recognition, except for financial assets measured at fair value through profit and loss, consistent with current practices. The classification for the financial assets has not been impacted by the transition to IFRS 9 on 1 January 2018.

26. Significant accounting policies (continued)

Changes in accounting policies and disclosures (continued)

IFRS 9 “Financial instruments” (continued)

Impairment (allowance for doubtful debt)

IFRS 9 introduces the Expected Credit Loss model, which replaces the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the Expected Credit Loss model requires the Company to recognize an allowance for doubtful debt on all financial assets carried at amortized cost (including, for example, “Trade receivables”), as well as debt instruments classified as financial assets carried at fair value through other comprehensive income (for example, government bonds held for liquidity purposes), since initial recognition, irrespective whether a loss event has occurred.

As a result, the allowance for doubtful debt of the Company has increased upon implementation of IFRS 9 on 1 January 2018. The impact of applying the Expected Credit Loss model is shown in the table earlier in this Note. Expected credit losses for cash and cash equivalents balances (Note 18), loans granted to related parties and receivables due from related parties (Note 22) were insignificant and therefore was not recognized as of 1 January 2018.

Hedge Accounting

IFRS 9 allows for more possibilities for the Company to apply hedge accounting (for example, risk components of non-financial assets or liabilities may be designated as part of a hedging relationship). In addition, the requirements of the standard have been more closely aligned with the Company’s risk management policies and hedge effectiveness will be measured prospectively.

Transition

The Group has adopted the standard using the modified retrospective approach for classification and measurement and impairment. This means that the cumulative impact of the adoption has been recognized in retained earnings as of 1 January 2018 and that comparatives are not restated.

Due to the nature of the Group’s financial instruments, as well as the Group’s existing accounting policies applied prior to 1 January 2018, the impact of IFRS 9 on classification and measurement of the Group’s financial instruments, impairment and hedge accounting was immaterial, as shown in the table presented earlier in this Note, accordingly the Group does not reinstate the disclosure of corresponding accounting policies applied prior to 1 January 2018 in these financial statements.

All hedge accounting relationships existing as of 1 January 2018 have been continued under IFRS 9.

New standards, interpretations and amendments not yet adopted by the Group

IFRIC 23 “Uncertainty over income tax treatments”

The Interpretation clarifies the application of recognition and measurement requirements in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments. The Group has assessed the impact of IFRIC 23, which will not be material to the consolidated income statement and consolidated statement of financial position upon adoption in 2019.

(All amounts in millions of Rubles unless otherwise stated)

26. Significant accounting policies (continued)

New standards, interpretations and amendments not yet adopted by the Group (continued)

IFRS 16 "Leases"

IFRS 16 "Leases" ("IFRS 16") replaces the IAS 17 "Leases", the current lease accounting standard and will become effective on 1 January 2019. The new lease standard will require assets leased by the Company to be recognized on the statement of financial position of the Company with a corresponding liability.

During 2018, the Group has performed a detailed impact assessment of IFRS 16. In summary the impact of IFRS 16 adoption is expected to be, as follows:

	Opening balance as of 1 January 2019	Impact of IFRS 16	Adjusted opening balance as of 1 January 2019
Assets			
Non-current assets			
Property and equipment			
Property and equipment	193,895	(4,783)	**189,112**
Right-of-use assets	–	100,682	**100,682**
Intangible assets	28,557	(1,038)	**27,519**
Goodwill	97,729	–	**97,729**
Deferred tax assets	1,824	52	**1,876**
Other financial assets	1,148	–	**1,148**
Other non-current non-financial assets	1,126	–	**1,126**
Total non-current assets	324,279	94,913	**419,192**
Current assets			
Trade and other receivables	23,049	(1,354)	**21,695**
Other current assets	110,348	–	**110,348**
Total current assets	133,397	(1,354)	**132,043**
Assets classified as held for sale	23	–	**23**
Total assets	457,699	93,559	**551,258**
Equity and liabilities			
Equity			
Equity attributable to equity owners of the parent	133,763	(217)	**133,546**
Non-controlling interests	3,053	–	**3,053**
Total equity	136,816	(217)	**136,599**
Non-current liabilities			
Non-current financial liabilities	206,160	(3,020)	**203,140**
Provisions	2,978	–	**2,978**
Lease liabilities	–	83,264	**83,264**
Deferred tax liabilities	7,981	4	**7,985**
Other liabilities	653	–	**653**
Total non-current liabilities	217,772	80,248	**298,020**
Current liabilities			
Trade and other payables	63,408	(1,853)	**61,555**
Other current financial liabilities	10,228	(437)	**9,791**
Lease liabilities	–	16,177	**16,177**
Provisions	3,877	(152)	**3,725**
Other current liabilities	25,598	(207)	**25,391**
Total current liabilities	103,111	13,528	**116,639**
Total equity and liabilities	457,699	93,559	**551,258**

26. Significant accounting policies (continued)

New standards, interpretations and amendments not yet adopted by the Group (continued)

IFRS 16 “Leases” (continued)

The Company, as a lessee, will recognize a right-of-use asset and a lease liability on the lease commencement date.

Upon initial recognition the right of use asset is measured as the amount equal to initially measure lease liability adjusted for lease prepayments, initial direct cost, lease incentives and the discounted estimated asset retirement obligation. Subsequently the right of use assets will be measured at cost net of any accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the shorter estimated useful lives of the right-of-use assets or the lease term.

The lease liability is measured upon initial recognition at the present value of the future lease and related fixed services payments over the lease term, discounted with the interest rate implicit to the lease or Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

Right-of-use assets and lease liabilities will be remeasured subsequently if one of the following events occurs:

- Change in lease price due to indexation or rate which has become effective in reporting period;
- Modifications to the lease contract;
- Reassessment of the lease term.

Leases which are short term in nature (less than 12 months including extension options) and leases of low value items will continue to be expensed in the Income Statement as incurred.

Transition

The Company will adopt IFRS 16 on the date the standard becomes effective, 1 January 2019. The Group will adopt the standard using the modified retrospective approach. This means that the cumulative impact of the adoption will be recognized in retained earnings as of 1 January 2019 and that comparatives will not be restated.

The Group will use the following practical expedients when adopting IFRS 16 on its effective date:

- to apply IFRS 16 only to contracts that were previously assessed as leases in accordance with the previous IFRS standards (IAS 17 “Leases” and IFRIC 4 “Determining whether and Arrangement contains a Lease”);
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics as permitted by IFRS 16;
- to exclude initial direct cost from the measurement of if the right-of-use asset as at 1 January 2019;
- Application of the Group onerous contract provision process as the impairment assessment of right-of-use assets upon transition.

The weighted-average incremental rate applied to lease liabilities expected to be recognized on 1 January 2019 is 8.76%.

Carrying values of property and equipment and financial liabilities related to finance leases as of 31 December 2018 will be reclassified to right-of-use assets and lease liabilities, respectively on 1 January 2019. These carrying values related to finance leases will not be remeasured at the transition date.

(All amounts in millions of Rubles unless otherwise stated)

26. Significant accounting policies (continued)

New standards, interpretations and amendments not yet adopted by the Group (continued)

IFRS 16 "Leases" (continued)

Significant judgements upon adoption IFRS 16

Lease term judgements: IFRS 16 requires the Company to assess the lease term as the non-cancelable lease term in line with the lease contract together with the period for which the Company has extension options which the Company is reasonably certain to exercise and the periods for which the Company has termination options for which the Company is not reasonably certain to exercise those termination options.

A significant portion of the lease contracts included within Company's lease portfolio includes lease contracts which are extendable through mutual agreement between Company and the lessor or lease contracts which are cancelable by the Company on immediately or on short notice. In assessing the lease term for the adoption of IFRS 16, the Company concluded that these cancelable future lease periods should be included within the lease term, which represents an increase to the future lease payments used in determining the lease liability upon initial recognition. The reasonably certain period used to determine the lease term is based on facts and circumstances related to the underlying leased asset and lease contracts.

The following table reconciles the Company's operating lease commitments as of 31 December 2018, to the lease liabilities expected to be recognized upon initial application of IFRS 16 on 1 January 2019.

	Amount
Operating lease commitments as of December 31, 2018 (Note 4)	7,208
Increase in lease commitments of cancelable leases included in reasonably certain lease term	116,377
Use of IFRS 16 practical expedients (old lease accounting continues for exceptions)	(4)
Leases commencing subsequent to transition date committed to as of 31 December 2018	(3,255)
Accruals included in the lease liability calculation	1,770
Total undiscounted lease payments which are reasonably certain	**122,096**
Discounting effect using incremental borrowing rate	(26,312)
IAS 17 finance lease liabilities recognized on balance sheet as of 31 December 2018 (discounted)	3,657
Expected IFRS 16 Lease liability recognized on balance sheet as of 1 January 2019	**99,441**
Non-current	83,264
Current	16,177