

Unaudited interim condensed
consolidated financial statements

Public Joint Stock Company
“Vimpel-Communications”

as of 30 June 2020 and
for the three and six months ended 30 June 2020

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Contents

Report on Review of Interim Condensed Consolidated Financial Statements

Interim consolidated income statement for the three and six months ended 30 June 2020	1
Interim consolidated statement of comprehensive income for the three and six months ended 30 June 2020.....	2
Interim consolidated statement of financial position as of 30 June 2020	3
Interim consolidated statement of changes in equity for the six months ended 30 June 2020.....	4
Interim consolidated statement of changes in equity for the six months ended 30 June 2019.....	4
Interim consolidated statement of cash flows for the six months ended 30 June 2020	5

Notes to the unaudited interim condensed consolidated financial statements as of 30 June 2020 and for the three and six months ended 30 June 2020:

1. General information	6
Operating activities of the Group	7
2. Segment information	7
3. Selling, general and administrative expenses.....	9
4. Other non-operating (loss) / gain, net	10
5. Inventories	10
6. Other assets and liabilities	10
7. Income taxes	11
Investing activities of the Group.....	12
8. Property and equipment	12
9. Intangible assets	12
10. Significant transactions	14
Financing activities of the Group	15
11. Financial assets and liabilities	15
12. Cash and cash equivalents	17
Additional information	18
13. Related parties	18
14. Risks, commitments, contingencies and uncertainties	20
15. Events after the reporting period	20
16. Basis of preparation of the interim condensed consolidated financial statements	21



Report on Review of Interim Condensed Consolidated Financial Statements

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

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Public Joint Stock Company "Vimpel-Communications" and its subsidiaries (together – the "VimpelCom") as at 30 June 2020 and the related interim consolidated income statements and statements of comprehensive income for the three and six-month periods then ended, changes in equity and cash flows for the six-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review


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

Conclusion

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

17 August 2020
Moscow, Russian Federation

AO PricewaterhouseCoopers Audit



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

Audited entity: Public Joint Stock Company Vimpel-Communications

Independent auditor: AO PricewaterhouseCoopers Audit

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

Registered by the Government Agency Moscow Registration Chamber
on 28 February 1992 under No. 008.890

Taxpayer Identification Number 7713076301

Record made in the Unified State Register of Legal Entities
on 22 August 2002 under State Registration Number 1027700148431

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

Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association
"Sodruzhestvo"

Principal Registration Number of the Record in the Register of Auditors
and Audit Organizations – 12006020338

Public Joint Stock Company “Vimpel-Communications”

Interim consolidated income statement
for the three and six months ended 30 June 2020
(All amounts in millions of Rubles)

	Note	Three months ended 30 June		Six months ended 30 June	
		2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Service revenue		73,365	79,028	148,091	155,480
Sale of equipment and accessories		4,988	7,025	10,625	12,789
Other revenue		137	2,876	673	3,243
Total operating revenue	2	78,490	88,929	159,389	171,512
Other operating income		130	–	130	–
Service costs		(18,780)	(17,957)	(36,207)	(35,181)
Cost of equipment and accessories		(5,053)	(7,142)	(10,750)	(12,872)
Selling, general and administrative expenses (including impairment loss on financial assets)	3	(25,420)	(23,618)	(50,154)	(48,360)
Depreciation	8	(18,048)	(17,786)	(35,986)	(35,477)
Amortization	9	(2,999)	(2,396)	(5,929)	(5,101)
(Impairment loss) / reversal of impairment loss		–	(126)	68	(461)
Loss on disposal of non-current assets		(258)	(452)	(510)	(819)
Operating profit		8,062	19,452	20,051	33,241
Finance costs		(6,382)	(6,945)	(13,165)	(13,926)
Finance income		869	948	1,967	1,752
Foreign exchange gain / (loss), net		2,750	(1,652)	(5,643)	(208)
Other non-operating (loss) / gain, net	4	(2,304)	(535)	1,675	(2,989)
Profit before tax		2,995	11,268	4,885	17,870
Income tax expense	7	(1,599)	(2,841)	(2,822)	(4,404)
Profit for the period		1,396	8,427	2,063	13,466
Attributable to:					
The owners of the Company		750	8,422	3,033	13,252
Non-controlling interests		646	5	(970)	214
		1,396	8,427	2,063	13,466

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

Public Joint Stock Company “Vimpel-Communications”

Interim consolidated statement of comprehensive income
for the three and six months ended 30 June 2020

(All amounts in millions of Rubles)

	Three months ended 30 June		Six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Profit for the period	1,396	8,427	2,063	13,466
Other comprehensive income / (loss)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on net investment in foreign operations	(3,171)	98	2,620	(3,499)
Income tax effect	-	-	-	149
Other comprehensive income / (loss) for the period, net of tax	(3,171)	98	2,620	(3,350)
Total comprehensive income for the period, net of tax	(1,775)	8,525	4,683	10,116
Attributable to:				
The owners of the Company	(2,431)	7,786	5,581	9,083
Non-controlling interests	656	739	(898)	1,033
	(1,775)	8,525	4,683	10,116

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

Public Joint Stock Company “Vimpel-Communications”

Interim consolidated statement of financial position
as of 30 June 2020

(All amounts in millions of Rubles)

	Note	30 June 2020 (unaudited)	31 December 2019
Assets			
Non-current assets			
Property and equipment	8	276,117	278,147
Intangible assets	9	121,098	120,031
Deferred income tax assets		992	1,169
Loans, derivatives and other financial assets	11	149	868
Other non-current assets	6	2,252	1,888
Total non-current assets		400,608	402,103
Current assets			
Inventories	5	6,286	9,756
Trade and other receivables		21,609	23,634
Other current assets	6	11,836	11,146
Current income tax assets		711	558
Loans, derivatives and other financial assets	11	36,481	51,786
Cash and cash equivalents	12	27,327	31,498
Total current assets		104,250	128,378
Assets classified as held for sale		11	22
Total assets		504,869	530,503
Equity and liabilities			
Equity			
Equity attributable to equity owners of the Company		137,808	138,330
Non-controlling interests	10	12,017	(266)
Total equity		149,825	138,064
Non-current liabilities			
Trade and other payables		1,877	728
Debt, derivatives and other financial liabilities	11	163,223	247,280
Provisions		4,173	4,556
Deferred income tax liabilities		4,032	5,269
Other non-current liabilities	6	521	647
Total non-current liabilities		173,826	258,480
Current liabilities			
Trade and other payables		70,809	77,069
Dividends payable	11	20,170	–
Debt, derivatives and other financial liabilities	11	70,933	41,383
Provisions		2,253	1,021
Current income tax payables		2,302	1,769
Other current liabilities	6	14,751	12,717
Total current liabilities		181,218	133,959
Total equity and liabilities		504,869	530,503

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

Public Joint Stock Company “Vimpel-Communications”

Interim consolidated statement of changes in equity
for the six months ended 30 June 2020
(All amounts in millions of Rubles)

	Attributable to the owners of the Company						Non-controlling interests	Total equity	
	Note	Issued capital	Capital surplus	Other capital reserves	Retained earnings	Foreign currency translation reserve			Total
As of 31 December 2019		3	40,234	37,458	122,594	(61,959)	138,330	(266)	138,064
Profit for the period		–	–	–	3,033	–	3,033	(970)	2,063
Other comprehensive income / (loss)		–	–	–	–	2,548	2,548	72	2,620
Total comprehensive income / (loss)		–	–	–	3,033	2,548	5,581	(898)	4,683
Dividends declared	11	–	–	–	(20,000)	–	(20,000)	(170)	(20,170)
Transactions under common control	10	–	–	14,775	–	(878)	13,897	13,351	27,248
As of 30 June 2020 (unaudited)		3	40,234	52,233	105,627	(60,289)	137,808	12,017	149,825

Interim consolidated statement of changes in equity
for the six months ended 30 June 2019
(All amounts in millions of Rubles)

	Attributable to the owners of the Company						Non-controlling interests	Total equity	
		Issued capital	Capital surplus	Other capital reserves	Retained earnings	Foreign currency translation reserve			Total
As of 31 December 2018		3	40,234	37,317	111,341	(55,132)	133,763	3,053	136,816
Adjustments arising due to new accounting standards		–	–	–	(217)	–	(217)	–	(217)
As of 1 January 2019		3	40,234	37,317	111,124	(55,132)	133,546	3,053	136,599
Profit for the period		–	–	–	13,252	–	13,252	214	13,466
Other comprehensive income / (loss)		–	–	–	–	(4,169)	(4,169)	819	(3,350)
Total comprehensive income / (loss)		–	–	–	13,252	(4,169)	9,083	1,033	10,116
Dividends declared		–	–	–	(8,000)	–	(8,000)	(1,824)	(9,824)
Acquisition of non-controlling interests		–	–	141	–	–	141	(497)	(356)
As of 30 June 2019 (unaudited)		3	40,234	37,458	116,376	(59,301)	134,770	1,765	136,535

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

Public Joint Stock Company “Vimpel-Communications”

Interim consolidated statement of cash flows
for the six months ended 30 June 2020

(All amounts in millions of Rubles)

	Note	Six months ended 30 June	
		2020	2019
Operating activities			
Profit for the period		2,063	13,466
Income tax expense	7	2,822	4,404
Profit before tax		4,885	17,870
Non-cash adjustments to reconcile profit before tax to net cash flows from operating activities:			
Depreciation	8	35,986	35,477
(Reversal of impairment loss) / impairment loss		(68)	461
Amortization	9	5,929	5,101
Loss on disposal of non-current assets		510	819
Finance income		(1,967)	(1,752)
Finance costs		13,165	13,926
Other non-operating (gain) / loss, net	4	(1,675)	2,989
Foreign exchange loss, net		5,643	208
Changes in provisions and other movements		2,338	938
Operating cash flows before working capital adjustments, interest and income taxes		64,746	76,037
Working capital adjustments			
(Increase) / decrease in trade and other receivables		(1,013)	(5,059)
Decrease / (increase) in inventories		3,378	(1,755)
(Decrease) / increase in trade and other payables		(4,165)	1,262
Interest and income taxes			
Interest paid		(11,941)	(13,104)
Interest received		1,846	1,141
Income tax paid		(3,363)	(3,628)
Net cash flows from operating activities		49,488	54,894
Investing activities			
Purchase of property, equipment and intangible assets		(38,330)	(34,364)
Proceeds from sale of property, equipment and intangible assets		253	376
Issue of loans		(29,529)	(35,871)
Repayment of loans issued		48,422	34,005
Inflows / (outflows) from investments in other financial assets		2,557	(788)
Outflows from deposits		(1,546)	(219)
Inflows from deposits		53	329
Disposal of subsidiary net of cash received	10	(428)	–
Other cash inflows		248	–
Net cash flows used in investing activities		(18,300)	(36,532)
Financing activities			
Repayment of borrowings		(30,439)	(7,722)
Repayment of lease liabilities		(7,128)	(7,852)
Dividends paid to non-controlling interests		–	(1,594)
Repayment associated with early debt redemption		–	(705)
Acquisition of non-controlling interest		–	(356)
Net cash flows used in financing activities		(37,567)	(18,229)
Net change in cash and cash equivalents		(6,379)	133
Effect of exchange rate changes on cash and cash equivalents, net		2,208	(2,135)
Cash and cash equivalents at the beginning of the period		31,498	29,420
Cash and cash equivalents at the end of the period		27,327	27,418

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

Public Joint Stock Company “Vimpel-Communications”

Notes to the unaudited interim condensed consolidated financial statements as of 30 June 2020 and for the three and six months ended 30 June 2020

(All amounts in millions of Rubles unless otherwise stated)

1. General information

Public Joint Stock Company “Vimpel-Communications” (PJSC “VimpelCom”, together with its consolidated subsidiaries referred to as the “Group”, “VimpelCom”, the “Company” or “we”) 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 interim condensed consolidated financial statements are presented in Russian Rubles (“RUB”). In these notes, Russian Ruble amounts are presented in millions unless otherwise indicated.

VimpelCom generates revenue from the provision of voice, data and other telecommunication services through a range of mobile and fixed-line technologies, as well as selling equipment and accessories. As of 30 June 2020, the Company operated telecommunications services in Russia, Kazakhstan, Uzbekistan, Armenia and Kyrgyzstan primarily under the “Beeline” brand name. In May 2020, VimpelCom completed the sale of its operations in Georgia (Note 10).

The interim condensed consolidated financial statements of the Company as of 30 June 2020 and for the three and six months ended 30 June 2020 were authorized for issue by the General Director of PJSC “VimpelCom” on 17 August 2020.

Coronavirus Outbreak

On 11 March 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide.

The second quarter saw the full impact on our operations of the lockdowns imposed across our markets in response to the COVID-19 pandemic. This resulted in material disruption to our retail operations following store closures, which impacted gross connections and airtime sales. Restrictions on travel resulted in a significant decline in roaming revenues and the loss of migrant customers from our subscriber base, particularly in Russia.

Conversely, demand for our data services remained strong during the quarter, enabling us to continue to grow our data revenues at a double-digit pace. We also experienced a continued shift in data traffic from mobile to fixed networks as lockdowns encouraged home working and schooling alongside a greater use of devices through our domestic broadband services.

Changes in exchange rates has resulted in the devaluation of exchange rates in the countries in which VimpelCom operates. As such, in the first half of 2020, the net loss of RUB 5,643 was recorded against the foreign exchange loss in the interim consolidated income statement and the other comprehensive income of RUB 2,620 was recorded against the foreign currency translation reserve in the interim consolidated statement of comprehensive income and in the interim consolidated statement of changes in equity.

Our management has taken appropriate measures to keep our personnel safe and secure. As of the date of these financial statements, we have not observed any particular material adverse impacts to our business, financial condition, and results of operations, other than as described above, and the group liquidity is sufficient to fund the business operations for at least another 12 months.

Working capital

For information on the Group's working capital, see Note 13.

Public Joint Stock Company “Vimpel-Communications”

Notes to the unaudited interim condensed consolidated financial statements as of 30 June 2020 and for the three and six months ended 30 June 2020

(All amounts in millions of Rubles unless otherwise stated)

Operating activities of the Group

2. Segment information

Management analyses 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 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, foreign exchange gain / (loss), net, other non-operating gain / (loss) (“EBITDA”) along with assessing the capital expenditures excluding certain costs such as those for right-of-use assets (“Capital expenditures”). Management does not analyse assets or liabilities by reportable segments.

The Company's reportable segments include “Russia”, “Kazakhstan” and “Uzbekistan”. The “Other operating companies” column in the tables below includes our operations in Armenia, Kyrgyzstan and Georgia (in May 2020, VimpelCom completed the sale of its operations in Georgia (Note 10)). The “Eliminations and other” column in the tables below includes inter-company eliminations, holding companies and other unallocated adjustments.

Financial information by reportable segment for the three and six months ended 30 June 2020 and 30 June 2019 is presented in the following tables.

Information by reportable segments for the three months ended 30 June 2020

	Russia	Kazakhstan	Uzbekistan	Other operating companies	Eliminations and other	Group
Revenue						
Service revenue	60,646	7,466	3,453	1,864	(64)	73,365
including:						
- Mobile	51,426	6,850	3,433	1,415	(24)	63,100
- Fixed	9,220	616	20	449	(40)	10,265
Sale of equipment and accessories	4,863	60	1	64	–	4,988
Other revenue / other income	127	3	4	10	(7)	137
Total operating revenue	65,636	7,529	3,458	1,938	(71)	78,490
- External customers	65,586	7,528	3,453	1,899	24	78,490
- Inter-segment	50	1	5	39	(95)	–
EBITDA	24,830	3,747	346	610	(166)	29,367
Capital expenditures*	18,355	1,750	1,564	797	(16)	22,450
Reversal of impairment / (impairment) of assets	27	(20)	–	(7)	–	–

* Excluding right-of-use assets (IFRS 16 “Leases”);

Public Joint Stock Company “Vimpel-Communications”

Notes to the unaudited interim condensed consolidated financial statements
as of 30 June 2020 and for the three and six months ended 30 June 2020

(All amounts in millions of Rubles unless otherwise stated)

2. Segment information (continued)

Information by reportable segments for the six months ended 30 June 2020

	Russia	Kazakhstan	Uzbekistan	Other operating companies	Eliminations and other	Group
Revenue						
Service revenue	122,275	14,719	7,061	4,212	(176)	148,091
including:						
- Mobile	103,943	13,542	7,019	3,348	(74)	127,778
- Fixed	18,332	1,177	42	864	(102)	20,313
Sale of equipment and accessories	10,370	117	3	135	–	10,625
Other revenue / other income	571	70	25	24	(17)	673
Total operating revenue	133,216	14,906	7,089	4,371	(193)	159,389
- External customers	133,096	14,901	7,074	4,266	52	159,389
- Inter-segment	120	5	15	105	(245)	–
EBITDA	52,125	7,390	2,033	1,447	(587)	62,408
Capital expenditures*	30,008	4,607	1,920	1,547	(16)	38,006
Reversal of impairment / (impairment) of assets	81	(4)	–	(9)	–	68

* Excluding right-of-use assets (IFRS 16 “Leases”);

Information by reportable segments for the three months ended 30 June 2019

	Russia	Kazakhstan	Uzbekistan	Other operating companies	Eliminations and other	Group
Revenue						
Service revenue,	65,455	6,748	4,314	2,637	(126)	79,028
including:						
- Mobile	56,990	6,211	4,288	2,196	(74)	69,611
- Fixed	8,465	537	26	441	(52)	9,417
Sale of equipment and accessories	6,872	26	2	125	–	7,025
Other revenue / other income	346	2,508	8	20	(6)	2,876
Total operating revenue	72,673	9,282	4,324	2,782	(132)	88,929
- External customers	72,624	9,275	4,313	2,685	32	88,929
- Inter-segment	49	7	11	97	(164)	–
EBITDA	31,252	5,726	2,251	945	38	40,212
Capital expenditures*	15,549	2,664	742	553	–	19,508
Reversal of impairment / (impairment) of assets	(134)	3	–	5	–	(126)

* Excluding right-of-use assets (IFRS 16 “Leases”);

Public Joint Stock Company “Vimpel-Communications”

Notes to the unaudited interim condensed consolidated financial statements
as of 30 June 2020 and for the three and six months ended 30 June 2020

(All amounts in millions of Rubles unless otherwise stated)

2. Segment information (continued)

Information by reportable segments for the six months ended 30 June 2019

	Russia	Kazakhstan	Uzbekistan	Other operating companies	Eliminations and other	Group
Revenue						
Service revenue	128,894	13,076	8,526	5,198	(214)	155,480
including:						
- Mobile	111,927	11,978	8,472	4,292	(115)	136,554
- Fixed	16,967	1,098	54	906	(99)	18,926
Sale of equipment and accessories	12,474	68	3	244	-	12,789
Other revenue / other income	676	2,543	10	31	(17)	3,243
Total operating revenue	142,044	15,687	8,539	5,473	(231)	171,512
- External customers	141,943	15,674	8,523	5,308	64	171,512
- Inter-segment	101	13	16	165	(295)	-
EBITDA	61,189	8,821	4,346	1,839	(1,096)	75,099
Capital expenditures*	30,731	3,401	2,580	975	-	37,687
Reversal of impairment / (impairment) of assets	(439)	(13)	-	(9)	-	(461)

* Excluding right-of-use assets (IFRS 16 “Leases”);

The following table provides the reconciliation of consolidated EBITDA to consolidated profit for the three and six months ended 30 June 2020 and 30 June 2019:

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
EBITDA	29,367	40,212	62,408	75,099
Depreciation	(18,048)	(17,786)	(35,986)	(35,477)
Amortization	(2,999)	(2,396)	(5,929)	(5,101)
(Impairment loss) / reversal of impairment loss	-	(126)	68	(461)
Loss on disposal of non-current assets	(258)	(452)	(510)	(819)
Finance costs	(6,382)	(6,945)	(13,165)	(13,926)
Finance income	869	948	1,967	1,752
Other non-operating (loss) / gain, net	(2,304)	(535)	1,675	(2,989)
Foreign exchange gain / (loss), net	2,750	(1,652)	(5,643)	(208)
Income tax expense	(1,599)	(2,841)	(2,822)	(4,404)
Profit for the period	1,396	8,427	2,063	13,466

3. Selling, general and administrative expenses

Selling, general and administrative expenses for the three and six months ended 30 June 2020 and 30 June 2019 consisted of the following:

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Personnel costs	8,290	8,192	16,542	16,349
Network and IT costs	6,107	5,551	12,165	10,953
Customer associated costs	5,153	5,629	10,099	10,989
Taxes other than income tax	2,517	1,483	4,067	3,387
Services costs and variable part of the other lease payments	1,044	1,066	2,109	2,171
Losses on receivables	852	617	1,956	1,286
Consulting and professional service costs / (reversal)	579	(32)	1,331	1,092
Other general and administrative expenses	878	1,112	1,885	2,133
Total	25,420	23,618	50,154	48,360

Public Joint Stock Company “Vimpel-Communications”

Notes to the unaudited interim condensed consolidated financial statements as of 30 June 2020 and for the three and six months ended 30 June 2020

(All amounts in millions of Rubles unless otherwise stated)

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

Other non-operating (loss) / gain, net for the three and six months ended 30 June 2020 and 30 June 2019 consisted of the following:

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Changes in the fair value of non-hedge derivatives*	(2,324)	(657)	1,676	(2,225)
Loss from early debt redemption	–	–	–	(719)
Other gain / (loss), net	20	122	(1)	(45)
Total other non-operating (loss) / gain, net	(2,304)	(535)	1,675	(2,989)

* 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.

5. Inventories

Inventories consisted of the following items as of 30 June 2020 and 31 December 2019:

	31 June 2020	31 December 2019
Telephone handsets and accessories for sale	7,169	10,583
SIM-Cards	482	442
Other inventories	197	171
Obsolescence allowance	(1,562)	(1,440)
Total	6,286	9,756

6. Other assets and liabilities

Other assets consisted of the following items as of 30 June 2020 and 31 December 2019:

	30 June 2020	31 December 2019
Other non-current assets		
Customer acquisition costs	1,907	1,555
Advances to suppliers and prepayments	286	134
Deferred costs related to connection fees	25	102
Input value added tax	–	62
Other non-current assets	34	35
Total other non-current assets	2,252	1,888
Other current assets		
Input value added tax	6,667	6,163
Advances to suppliers	4,143	3,708
Prepaid taxes	730	857
Deferred costs related to connection fees	84	93
Other current assets	212	325
Total other current assets	11,836	11,146

Other liabilities consisted of the following items as of 30 June 2020 and 31 December 2019:

	30 June 2020	31 December 2019
Other non-current liabilities		
Long-term deferred revenue	192	227
Other non-current liabilities	329	420
Total other non-current liabilities	521	647
Other current liabilities		
Other taxes payable	5,895	4,262
Amounts due to employees	4,005	3,832
Customer advances, net of VAT	2,808	2,904
Short-term deferred revenue	2,043	1,719
Total other current liabilities	14,751	12,717

Public Joint Stock Company “Vimpel-Communications”

Notes to the unaudited interim condensed consolidated financial statements as of 30 June 2020 and for the three and six months ended 30 June 2020

(All amounts in millions of Rubles unless otherwise stated)

7. Income taxes

Income tax expense is recognized in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes.

Income tax expense is the total of the current and deferred income taxes.

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

Deferred income tax is the tax asset or liability resulting from a difference in income recognition between enacted or substantively enacted local tax law and group IFRS accounting.

Income tax expense consisted of the following for the three and six months ended 30 June 2020 and 30 June 2019:

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Profit before tax	2,995	11,268	4,885	17,870
Current income tax	(2,981)	(3,304)	(3,836)	(5,808)
Deferred income tax	1,382	463	1,014	1,404
Income tax expense reported in the interim consolidated income statement	(1,599)	(2,841)	(2,822)	(4,404)
Effective tax rates	53%	25%	58%	25%

In the three-month period ended 30 June 2020 the effective income tax rate (53%) was primarily driven by non-deductible loss on changes in fair value of foreign exchange contracts (non-hedge derivatives (Note 4)) and non-deductible expenses, including non-deductible expense accrued in Uzbekistan amounting to equivalent of RUB 1,108.

In the six-month period ended 30 June 2020 the effective income tax rate (58%) was primarily driven by loss in Georgia amounting to RUB 3,437 (Note 10) affecting profit before tax (no deferred tax was recognized on the loss due to no recoverability) and non-deductible expenses, including non-deductible expense accrued in Uzbekistan amounting to equivalent of RUB 1,108.

In the three and six-month periods ended 30 June 2019 the effective income tax rate (25% and 25%, respectively) was primarily driven by withholding tax accrued on intra-group dividends from Uzbekistan and higher income tax rate in Uzbekistan.

Public Joint Stock Company “Vimpel-Communications”

Notes to the unaudited interim condensed consolidated financial statements as of 30 June 2020 and for the three and six months ended 30 June 2020

(All amounts in millions of Rubles unless otherwise stated)

Investing activities of the Group

8. Property and equipment

During the six months ended 30 June 2020 and 30 June 2019, the Company had the following changes in property and equipment:

	Note	Six months ended 30 June	
		2020	2019
Net book value as of 1 January		278,147	281,526
Additions*		35,102	40,734
Net book value of assets disposed		(1,073)	(1,631)
Divestment of subsidiary	10	(2,013)	–
Depreciation charge		(35,986)	(35,477)
Reversal of impairment / (impairment)		68	(461)
Translation adjustment		2,060	(3,936)
Reclassification from assets held for sale		11	3
Other changes		(199)	278
Net book value as of 30 June		276,117	281,036

* Including additions of right-of-use assets during the six months ended 30 June 2020 in the amount of RUB 3,454 (2019: RUB 8,441).

9. Intangible assets

During the six months ended 30 June 2020 and 30 June 2019, the Company had the following changes in intangible assets and goodwill:

	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Other intangible assets	Goodwill	Total intangible assets	Other intangible assets	Goodwill	Total intangible assets
Net book value as of 1 January	26,815	93,216	120,031	27,519	97,729	125,248
Additions	6,418	–	6,418	5,394	–	5,394
Net book value of assets disposed	–	–	–	(23)	–	(23)
Divestment of subsidiary (Note 10)	(373)	–	(373)	–	–	–
Amortization charge	(5,929)	–	(5,929)	(5,101)	–	(5,101)
Other changes	206	–	206	–	–	–
Translation adjustment	409	336	745	(590)	(877)	(1,467)
Net book value as of 30 June	27,546	93,552	121,098	27,199	96,852	124,051

The movements in goodwill for the Group, per cash generating unit (“CGU”), consisted of the following items for the six-month period ended 30 June 2020:

CGU's*	Currency translation		
	30 June 2020	adjustment	31 December 2019
Russia	87,984	–	87,984
Kazakhstan	4,303	268	4,035
Uzbekistan	1,265	68	1,197
Total	93,552	336	93,216

* As of 30 June 2020 the following CGUs' had no goodwill allocated to them: Armenia and Kyrgyzstan (31 December 2019: Armenia, Kyrgyzstan and Georgia).

Impairment analysis

Goodwill is tested for impairment annually (at October 1) or when circumstances indicate the carrying value may be impaired. The Company's impairment test for goodwill is primarily based on fair value less cost of disposal calculations that use a discounted cash flow model. When reviewing for indicators of impairment in interim periods, the Company considers, among others, the relationship between market capitalization of VEON Ltd. and its book value, as well as weighted average cost of capital and the quarterly financial performances of each cash-generating unit (“CGU”).

Public Joint Stock Company “Vimpel-Communications”

Notes to the unaudited interim condensed consolidated financial statements as of 30 June 2020 and for the three and six months ended 30 June 2020

(All amounts in millions of Rubles unless otherwise stated)

9. Intangible assets (continued)

Impairment analysis (continued)

In addition to the above, in the first half of 2020, the Company also considered the impact of COVID-19 when reviewing for indicators of impairment (refer Note 1 for further details).

As a result of the above, the Company performed impairment testing for Russia CGU as of 30 June 2020. Based on the recoverable amount calculated and the carrying value of this CGU, no impairment loss was recorded in the first half of 2020.

Although we believe that judgments made supporting our impairment assessment are reasonable (relying on information reasonably available to us), the COVID-19 pandemic makes it challenging for us to estimate the future performance of our CGUs. As circumstances change and/or new information becomes available, we may be required to record impairments in future periods.

Key assumptions

The recoverable amount of the CGU has been determined based on fair value less costs of disposal calculations, using cash flow projections from the business plan prepared by management. For further details regarding calculations and assumptions used for impairment testing, refer to the Group’s audited annual consolidated financial statements as of 31 December 2019 and for the year ended 31 December 2019.

	Russia	
	30 June 2020	31 December 2019
Discount rate	9.6%	9.1%
Average annual revenue growth rate*	4.3%	1.4%
Terminal growth rate	1.6%	1.6%
Average operating margin*	32.4%	34.7%
Average CAPEX / revenue*,**	28.8%	19.9%

* During the explicit forecast period of five years;

** CAPEX excludes licenses and right-of-use assets.

Sensitivity to changes in assumptions

The following table illustrates the CGU remaining headroom if certain key parameters would adversely change by one percentage point within both the explicit forecast period and the terminal period. Any additional adverse changes in the key parameters by more than one percentage point would further proportionally decrease the headroom.

	Russia
Existing headroom	53,401
Remaining headroom / (impairment) as a result of change in assumptions:	
Discount rate (+1 pp)	(47 707)
Average annual revenue growth rate (-1 pp)*	(18 327)
Terminal growth rate (-1 pp)	(39 033)
Average operating margin (-1 pp)*	(32 527)
Average CAPEX / revenue (+1 pp)*,**	(33 017)

* During the explicit forecast period of five years;

* CAPEX excludes licenses and right-of-use assets

Public Joint Stock Company “Vimpel-Communications”

Notes to the unaudited interim condensed consolidated financial statements as of 30 June 2020 and for the three and six months ended 30 June 2020

(All amounts in millions of Rubles unless otherwise stated)

10. Significant transactions

Transactions under common control

On 14 May 2020, PJSC “VimpelCom” entered into an agreement for the sale of Watertrail Industries Ltd., which held our 51% stake VEON Georgia, LLC, an operating company in Georgia. Under the agreement, on 14 May 2020, PJSC “VimpelCom” transferred 100% of shares in Watertrail Industries Ltd. to VEON Georgia Holdings B.V. (a subsidiary of VEON Ltd. and related party of the Group), in exchange for purchase consideration of USD 16,000 (the equivalent of RUB 1.2 as of 14 May 2020 at the exchange rate provided by the Central Bank of Russia). The effect of the disposal is detailed below:

	Amount
Net cash consideration received (USD 16,000)	1
Derecognition of assets:	
- Property and equipment	(2,013)
- Intangible assets	(373)
- Trade and other receivables	(254)
- Other assets	(204)
- Cash and cash equivalents	(429)
	(3,273)
Derecognition of liabilities:	
- Loans payables to related parties, principal amount	17,170
- Loans payables to related parties, interest payable	11,268
- Lease Liabilities	692
- Trade and other payables	1,202
- Provisions	126
- Other liabilities	62
	30,520
Derecognition of non-controlling interests	(13,351)
Release cumulative other comprehensive income	878
Total effect of the disposal	14,775

The financial performance information (after excluding intra-group transactions) presented below are for the period of 2020 ended 14 May 2020 (“2020” column) and for the year ended 31 December 2019 (“2019” column).

Summarized Income statement

	2020	2019
Operating revenue	768	2,413
Service costs	(108)	(362)
Cost of equipment and accessories	–	(16)
Selling, general and administrative expenses	(315)	(1,095)
Depreciation	(140)	(308)
Amortization	(16)	(67)
Impairment loss	–	(13)
Gain on disposal of non-current assets	5	34
Operating profit	194	586
Finance costs	(370)	(1,048)
Finance income	10	15
Foreign exchange loss, net	(3,271)	(1,676)
Other non-operating gain, net	–	7
Profit before income tax	(3,437)	(2,116)
Income tax expense	(8)	(19)
Profit for the period	(3,445)	(2,135)
Attributable to:		
The owners of the Company	(1,757)	(1,089)
Non-controlling interests	(1,688)	(1,046)

For transactions 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.

Public Joint Stock Company “Vimpel-Communications”

Notes to the unaudited interim condensed consolidated financial statements
as of 30 June 2020 and for the three and six months ended 30 June 2020

(All amounts in millions of Rubles unless otherwise stated)

Financing activities of the Group

11. Financial assets and liabilities

The loans, derivatives and other financial assets consisted of the following items as of 30 June 2020 and 31 December 2019:

	Note	30 June 2020	31 December 2019
Loans, derivatives and other financial assets			
At amortized cost			
- Loans granted to related parties, principal amount	13	34,491	51,659
- Loans granted to related parties, interest receivable		201	291
Loans granted to related parties		<u>34,692</u>	<u>51,950</u>
Bank deposits		1,399	–
Other financial assets		<u>539</u>	<u>704</u>
		<u>36,630</u>	<u>52,654</u>
Total loans, derivatives and other financial assets			
		<u>36,630</u>	<u>52,654</u>
- Non-current		149	868
- Current		<u>36,481</u>	<u>51,786</u>

The debt, derivatives and other financial liabilities consisted of the following items as of 30 June 2020 and 31 December 2019:

	Note	30 June 2020	31 December 2019
Debt, derivatives and other financial liabilities			
At fair value			
Derivatives not designated as hedges			
- Foreign exchange contracts		1,469	659
		<u>1,469</u>	<u>659</u>
At amortized cost			
- Loans payables to related parties, principal amount	13	129,554	173,978
- Loans payables to related parties, interest payable	10	645	9 450
- Unamortised fees on loans payables to related parties		(340)	(429)
Loans payables to related parties		<u>129,859</u>	<u>182,999</u>
- Bonds, principal amount		19,045	17,321
- Bonds, interest payable		593	534
- Unamortised fees on bonds		(20)	(20)
Bonds		<u>19,618</u>	<u>17,835</u>
Lease liabilities		83,177	87,090
Other liabilities		33	80
		<u>232,687</u>	<u>288,004</u>
Total debt, derivatives and other financial liabilities			
		<u>234,156</u>	<u>288,663</u>
- Non-current		163,223	247,280
- Current		<u>70,933</u>	<u>41,383</u>

Public Joint Stock Company “Vimpel-Communications”

Notes to the unaudited interim condensed consolidated financial statements as of 30 June 2020 and for the three and six months ended 30 June 2020

(All amounts in millions of Rubles unless otherwise stated)

11. Financial assets and liabilities (continued)

Major treasury events during 2020

There were no significant changes in financial assets and liabilities in the six-month period ended 30 June 2020 except for the scheduled repayments of debt or as described below. Furthermore, there were no changes in risks and risk management policies as disclosed in the Group’s annual consolidated financial statements as of and for the year ended 31 December 2019.

On 28 February 2020, PJSC “VimpelCom” announced the reset of the coupon rate on its 7% puttable Ruble bonds for outstanding principal amount of RUB 597. The new coupon rate of 6.2% per annum is applicable for the next four coupon periods (next two years) till final maturity in March 2022. Following the reset of the coupon rate, bondholders exercised their put options in aggregate principal amounts of RUB 383 which was repaid in March 2020. Subsequent to the settlement, the total outstanding principal amount of 6.2% Ruble bonds was RUB 213. Outstanding principle amount of 1% Ruble bonds with final maturity in 2025 remained the same and amounted to RUB 505.

On 30 June 2020, in the Annual General Meeting of Shareholders of PJSC “VimpelCom” the decision was taken to pay annual dividends in the monetary form based on 2019 financial year results: (1) to holders of common registered shares in the amount of one hundred fifty six rubles per one common share for the total amount of RUB 19,999.60; (2) to holders of preferred type “A” registered shares in the amount of 0.1 kopecks per one preferred type “A” registered share for the total amount of RUB 0.006. In July 2020, PJSC “VimpelCom” paid annual dividends to the shareholders based on 2019 financial year results in the amount of RUB 18,999.62, net of tax withheld. In accordance with Russian tax legislation, PJSC “VimpelCom” withheld and paid a tax on dividend payments in the amount of RUB 999.98.

Significant changes in the financial assets and liabilities also relate to the loans received from related parties and the amount of interest accrued on them, loans granted to related parties and the amount of interest accrued on them as further described in Note 13.

Fair values

As of 30 June 2020, the fair values of all financial assets and liabilities are equal to or approximate their respective carrying amounts as shown in the table above, with the exception of:

- loans payables to related parties, principal amount, for which fair value is equal to RUB 135,123 (31 December 2019: RUB 184,521);
- bonds, principal amount, for which fair value is equal to RUB 19,754 (31 December 2019: 18,368);
- interest payable to related parties and interest payable on bonds for which fair value is equal to RUB 1,238 (31 December 2019: RUB 8,034);
- lease liabilities, for which fair value has not been determined.

The carrying amount of cash and cash equivalents, trade and other receivables, trade and other payables, other assets and liabilities approximate their respective fair value.

The fair values were estimated based on quoted market prices (for 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 include LIBOR, swap curves, basis swap spreads, foreign exchange rates and credit default spreads.

As of 30 June 2020 and 31 December 2019, the Group recognized financial instruments at fair value in the statement of financial position.

Public Joint Stock Company “Vimpel-Communications”

Notes to the unaudited interim condensed consolidated financial statements as of 30 June 2020 and for the three and six months ended 30 June 2020

(All amounts in millions of Rubles unless otherwise stated)

11. Financial assets and liabilities (continued)

Fair values (continued)

As of 30 June 2020 and 31 December 2019, 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.

During the six-months period ended 30 June 2020, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

All impairment losses and changes in fair values of financial instruments are unrealized and are recorded in line “Other non-operating gain / (loss), net” in the consolidated income statement.

12. Cash and cash equivalents

Cash and cash equivalents consisted of the following items as of 30 June 2020 and 31 December 2019:

	30 June 2020	31 December 2019
Cash and cash equivalents at banks and on hand	15,914	29,386
Short-term deposits with an original maturity of less than three months	11,413	2,112
Total cash and cash equivalents	27,327	31,498

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 30 June 2020 and 31 December 2019, there were no restricted cash and cash equivalent balances.

Public Joint Stock Company “Vimpel-Communications”

Notes to the unaudited interim condensed consolidated financial statements
as of 30 June 2020 and for the three and six months ended 30 June 2020

(All amounts in millions of Rubles unless otherwise stated)

Additional information

13. Related parties

As of 30 June 2020 and 31 December 2019, PJSC “VimpelCom” was a wholly-owned indirect subsidiary of VEON Ltd. As of 30 June 2020 and 31 December 2019, 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.

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 periods:

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
Revenue from VEON Ltd. and its subsidiaries:				
- Revenue from Teta Telecom and its subsidiaries	336	209	668	351
- Revenue from Kyivstar	59	59	122	124
- Revenue from VEON Ltd. and its other subsidiaries	154	429	299	925
	549	697	1,089	1,400
Services from VEON Ltd. and its subsidiaries:				
- Services from Teta Telecom and its subsidiaries	907	859	1,733	1,592
- Services from Kyivstar	120	114	232	233
- Services from VEON Ltd. and its other subsidiaries	1,445	1,494	3,054	4,359
Services from other related parties	-	7	-	13
	2,472	2,474	5,019	6,197
Finance income from VEON Ltd. and its subsidiaries	614	705	1,448	1,381
Finance costs from VEON Ltd. and its subsidiaries	4,271	4,809	8,979	9,562
Other (loss) / gain from VEON Ltd. and its subsidiaries, net	(1)	10	1	10
			As of	As of
			30 June 2020	31 December 2019
Accounts receivable from VEON Ltd. and its subsidiaries:				
- Accounts receivable from Teta Telecom and its subsidiaries			923	111
- Accounts receivable from Kyivstar			54	321
- Accounts receivable from VEON Ltd. and its other subsidiaries			411	441
Accounts receivable from other related parties			12	1
			1,400	874
Accounts payable to VEON Ltd. and its subsidiaries:				
- Accounts payable to Teta Telecom and its subsidiaries			395	260
- Accounts payable to Kyivstar			232	228
- Accounts payable to VEON Ltd. and its other subsidiaries			17,260	15,476
Accounts payable to other related parties			36	2
Dividends payable to VEON Ltd. and its subsidiaries			20,000	-
			37,923	15,966
Loans granted to VEON Ltd. and its subsidiaries			34,491	51,659
Interest receivable from VEON Ltd. and its subsidiaries			201	291
Loans received from VEON Ltd. and its subsidiaries			129,554	173,978
Interest payable to VEON Ltd. and its subsidiaries			645	9,450
Unamortized fees related to loans received from VEON Ltd. and its subsidiaries			(340)	(429)

Public Joint Stock Company “Vimpel-Communications”

Notes to the unaudited interim condensed consolidated financial statements as of 30 June 2020 and for the three and six months ended 30 June 2020

(All amounts in millions of Rubles unless otherwise stated)

13. Related parties (continued)

Loans granted to VEON Ltd. and its subsidiaries

As of 30 June 2020 and 31 December 2019, the principal amounts of loans granted to VEON Ltd. and its subsidiaries were as follows:

Lender	Borrower	Date of agreement	Maturity	Interest rate	Currency	30 June 2020	31 December 2019
PJSC “VimpelCom” ¹	VEON Holdings B.V.	13 Dec. 2017	< 3 months	8.0%	RUB / USD	20,209	39,330
Golden Telecom Inc. ²	VEON Holdings B.V.	31 Jan. 2018	On demand	LIBOR+0.70%	USD	10,012	8,552
VEON Armenia, CJSC	VEON Holdings B.V.	7 Aug. 2017	On demand	LIBOR+0.80%	USD	2,800	2,456
KaR-Tel, LLP	TNS-Plus	2007-2011	2020–2021	9.46%	KZT	712	668
Clafdor Investments Ltd.	VEON Holdings B.V.	4 Sep. 2018	On demand	LIBOR+0.60%	USD	700	619
VEON Eurasia S.à r.l.	VEON Holdings B.V.	31 Mar. 2017	On demand	LIBOR+0.65%	USD	58	34
Total						34,491	51,659

¹ For the six months ended 30 June 2020, PJSC “VimpelCom” provided VEON Holdings B.V. with the equivalent of RUB 29,276 (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 48,397 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia). In July and August of 2020, PJSC “VimpelCom” provided VEON Holdings B.V. with the equivalent of RUB 3,500 (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 22,283 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia);

² For the six months ended 30 June 2020, Golden Telecom Inc. provided VEON Holdings B.V. with the amount of USD 3.4 million (the equivalent of RUB 254 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 six months ended 30 June 2020 was USD 1.6 million (the equivalent of RUB 124 as of the date of each transaction at the exchange rate provided by the Central Bank of Russia). In July and August of 2020, VEON Holdings B.V. repaid the amount of USD 850 thousand (the equivalent of RUB 60 as of the date of each transaction at the exchange rate provided by the Central Bank of Russia);

Loans received from VEON Ltd. and its subsidiaries

As of 30 June 2020 and 31 December 2019, the principal amounts of loans received from VEON Ltd. and its subsidiaries were as follows:

Lender	Borrower	Date of agreement	Maturity	Interest rate	Currency	30 June 2020	31 December 2019
VEON Luxembourg Finance S.A. ¹	PJSC “VimpelCom”	19 May 2017	May, 2022	11.40%	RUB	65,000	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.	PJSC “VimpelCom”	9 Aug. 2017	Aug., 2022	125% of the key rate	RUB	9,454	9,454
VEON Luxembourg Finance S.A. ²	VEON Georgia, LLC	26 Mar. 2015	Mar., 2032	6.50%	USD	–	14,114
VEON Luxembourg Finance S.A. ²	VEON Georgia, LLC	9 Jan. 2018	Dec., 2020	6.50%	USD	–	310
Total						129,554	173,978

¹ For the six months ended 30 June 2020, PJSC “VimpelCom” early repaid RUB 30,000;

² On 14 May 2020, PJSC “VimpelCom” entered into an agreement for the sale of Watertrail Industries Ltd., which held our 51% stake VEON Georgia, LLC, an operating company in Georgia. On 14 May 2020, PJSC “VimpelCom” transferred 100% of shares in Watertrail Industries Ltd. to VEON Georgia Holdings B.V. (a subsidiary of VEON Ltd. and related party of the Group) (Note 10).

Terms and conditions of transactions with related parties

Outstanding balances at period-end are unsecured, settlements occur in cash. During the six months ended 30 June 2020, there have been no new guarantees provided or received for any related party receivables or payables and no changes occurred to the terms and amounts of the Company’s guarantees of the related party loans that existed as of 31 December 2019 and were disclosed in the notes to the respective annual consolidated financial statements. No triggering events under the existing guarantees (Note 13) in favor of related parties occurred. The Company believes that the probability of these events is remote.

As of 30 June 2020 and 31 December 2019, 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 insignificant from the Company’s perspective and was therefore not recognized as of 30 June 2020 and 31 December 2019.

Public Joint Stock Company “Vimpel-Communications”

Notes to the unaudited interim condensed consolidated financial statements as of 30 June 2020 and for the three and six months ended 30 June 2020

(All amounts in millions of Rubles unless otherwise stated)

13. Related parties (continued)

Working capital

Our working capital is monitored on a regular basis by our management. Although we have a negative working capital our management expects to repay our debt as it becomes due from our operating cash flows or through refinancing the loans received from VEON Ltd. and its subsidiaries (Note 15).

14. Risks, commitments, contingencies and uncertainties

Other than disclosed below and elsewhere in these interim condensed consolidated financial statements, there were no material changes to risks, commitments, contingencies and uncertainties that occurred during the six-month period ended 30 June 2020.

Tax audit

On 1 June 2020, “Sky Mobile”, LLC received a finalized annual tax audit for tax years 2017-2018 from the Kyrgyz State Tax Service (“STS”) relating to the accrual of VAT, WHT, fines and financial sanctions totalling KGS 1,766 million (the equivalent of RUB 1,637 as of 30 June 2020 at the exchange rate provided by the Central Bank of Russia). Sky Mobile appealed the decision to the STS on 29 June 2020. The STS has until 27 August 2020 to consider the appeal.

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, 29 June 2017 and 31 December 2018, VEON Holdings B.V. partially repurchased its notes. As of 30 June 2020 and 31 December 2019, the outstanding principal amount under the notes was USD 417 million (the equivalent of RUB 29,170 as of 30 June 2020 at the exchange rate provided by the Central Bank of Russia) and USD 417 million (the equivalent of RUB 25,815 as of 31 December 2019 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.

15. Events after the reporting period

On 14 August 2020, PJSC “VimpelCom” signed a credit facility agreement with VEON Holdings B.V. for the amount of RUB 35,000 with the maturity date on 14 August 2024 for general corporate purposes, including, without limitation, in order to repay, prepay and/or refinance certain existing borrowings of PJSC “VimpelCom”. The interest rate under the agreement is 8.75%.

On 14 August 2020, PJSC “VimpelCom” signed a credit facility agreement with VEON Holdings B.V. for the amount of RUB 30,000 with the maturity date on 14 August 2024 for general corporate purposes, including, without limitation, in order to repay, prepay and/or refinance certain existing borrowings of PJSC “VimpelCom”. The interest rate under the agreement is 8.50%.

Significant changes in financial assets and liabilities after the reporting period also related to the loans granted to related parties and loans received from related parties were described in Note 13. Information on payment of dividends after the reporting period was presented in Note 11.

Public Joint Stock Company “Vimpel-Communications”

Notes to the unaudited interim condensed consolidated financial statements as of 30 June 2020 and for the three and six months ended 30 June 2020

(All amounts in millions of Rubles unless otherwise stated)

16. Basis of preparation of the interim condensed consolidated financial statements

Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s audited annual consolidated financial statements as of and for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards.

The preparation of these interim condensed consolidated financial statements has required Company’s 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 interim consolidated statement of financial position, interim consolidated income statement, interim consolidated statements of comprehensive income, interim consolidated statement of changes in equity, interim consolidated statement of cash flows as well as the notes to the interim condensed consolidated financial statements. The final amounts for items for which estimates and assumptions were made in the interim condensed 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.

New standards, interpretations and amendments

The accounting policies adopted in the preparation of the Group’s interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements as of and for the year ended 31 December 2019.

A number of new and amended standards became effective as of 1 January 2020, which did not have a material impact on VimpelCom financial statements. The Group has not early adopted any standards, interpretations or amendments that have been issued but have not yet become effective.

In May 2020, the IASB issued an amendment to IFRS 16 “Leases”, providing an option to apply a practical expedient in respect of accounting for certain rent concessions arising as a direct consequence of COVID-19, such as rent holidays and temporary rent reductions. Under this amendment, which became effective as of 30 June 2020, lessees are exempted from having to consider whether these rent concessions are lease modifications. The Group has chosen not to apply the practical expedient available and will therefore account for any rent concessions as lease modifications.