Consolidated financial statements

Public Joint Stock Company “Vimpel-Communications”

as of 31 December 2019 and
for the year ended 31 December 2019

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as of 31 December 2019 and
for the year ended 31 December 2019

Contents

Notes to the consolidated financial statements as of 31 December 2019 and for the year ended 31 December 2019:

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 2019, 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 2019;
- the consolidated statement of comprehensive income for the year ended 31 December 2019;
- the consolidated statement of financial position as of 31 December 2019;
- the consolidated statement of changes in equity for the year ended 31 December 2019;
- the consolidated statement of cash flows for the year ended 31 December 2019; 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.

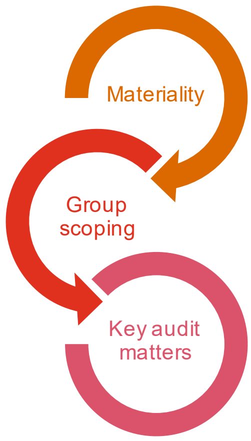
Independence

We are independent of VimpelCom in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and 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 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 3,600 million, which represents 2.4% of EBITDA as disclosed in Note 2 to the consolidated financial statements

Audit scope

- We conducted our work at the corporate headquarters in Russia and at the most significant subsidiaries, located in Russia, Uzbekistan and Kazakhstan. The work consisted of full scope audits for those significant subsidiaries and risk assessment procedures and certain specified procedures for less significant subsidiaries in Georgia, Armenia and Kyrgyzstan.
- 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 remotely reviewed the work of the component team covering subsidiaries in Kazakhstan while the component team covering subsidiaries in Uzbekistan visited Moscow to enable us to review their work.
- Audit coverage of 97% of consolidated EBITDA, 97% of consolidated revenue and 88% of consolidated total assets was obtained from full scope audits

Key audit matters

- Revenue recognition – accuracy and occurrence of revenue;
- 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.

Group overall materiality	RUB 3,600 million (2018: RUB 2,600 million)
How we determined it	We used our professional judgement to determine overall materiality. As a basis for our judgment we used 2.4% 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 gain on sale of subsidiaries. The increase in materiality compared to the previous year is primarily due to the impact of IFRS 16 adoption (fixed lease payments previously expensed and reducing EBITDA are now capitalised as right-of-use assets and lease liabilities and recognised in the income statement as amortisation of the right-of-use assets and interest expense on lease liabilities below EBITDA)
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. We also noted that while IFRS 16 resulted in a substantial increase in EBITDA it also led to a substantial increase in the debt-like lease liabilities such that debt to EBITDA continued to be an important ratio for the debt and equity investors of VimpelCom and, hence, EBITDA continued to be a relevant financial performance measure for 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 1,200 million and RUB 3,600 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. For Uzbekistan and Kazakhstan 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:

Revenue	97%
EBITDA	97%
Profit before tax	87%
Total assets	88%

None of the remaining components represented individually more than 1% of the total operating revenues or total assets of the Group. 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 as well as specified procedures over certain material balances.

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 consolidated 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. 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 Note 3 The total operating revenues of the Group for the year ended 31 December 2019 amounted to RUB 347,416 million and were 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, required 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. Therefore, we continued to treat this a key audit matter.	Our audit approach included controls testing and performing substantive procedures, including data analytics, covering amongst others: • Updating our understanding of 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. • Testing cash receipts for a sample of customers back to the customer invoice.

Key audit matter	How our audit addressed the Key audit matter
	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 11 and Note 13** VimpelCom has a goodwill balance of RUB 93,216 million as at 31 December 2019. 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 IAS 36 - Impairment of Assets as of 1 October 2019. The Company concluded that RUB 6,768 million of impairment charges were to be recorded primarily for the Cash Generating Unit ('CGU') in Kyrgyzstan allocated first to the existing goodwill balances and then subsequently to property and equipment and intangible assets, based on respective carrying values. 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 also taken into account volatilities and uncertainties in some of the markets where the Group operates.	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. • Testing the composition of future cash flow forecasts by evaluating (i) the current and past performance of the CGUs, (ii) the consistency with external market and industry data, and (iii) the corroboration of strategic initiatives with evidence obtained in other areas of the audit. • Recalculating the carrying values used in the impairment test. • Assessing the adequacy of the Group's disclosures regarding assumptions as included in Note 11 and Note 13 to the consolidated financial statements. Our procedures did not result in material findings with respect to the valuation of goodwill at 31 December 2019 and the respective disclosures in the consolidated financial statements.
Compliance with anti-bribery laws and regulations **Note 9** Given the territories in which VimpelCom operates, there is an increased risk of bribery and corruption. Given the increased risk of corruption, management exercises judgement in investigating allegations of potential non-compliance with antibribery and anti-corruption laws, which in turn may subject the Company to	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.

Key audit matter	How our audit addressed the Key audit matter
penalties and administrative costs. 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 VEON Ltd. had to implement an Independent Monitor that would oversee VEON Ltd.'s compliance improvement programme for a period of three years. On 31 October 2019 VEON Ltd. announced that the Deferred Prosecution Agreement and the monitorship had concluded. The Company's continued implementation of the independent compliance Monitor's recommendations over the course of 2019 warranted attention from an audit perspective.	• 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. • Reading the minutes of the Board meetings and other executive committees. • Obtaining external legal confirmations. • Assessing actions undertaken by management upon identification of potential instances of fraud. Our procedures included the use of forensics expertise and testing of selected investigations, including challenging management on the extent of investigation procedures performed to support conclusions reached. • Assessing the adequacy of the Company's disclosures. Our procedures did not result 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 the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 the Group 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 the Group 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

27 March 2020
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

Taxpayer Identification Number 7713076301

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

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

Consolidated income statement
for the year ended 31 December 2019

(All amounts in millions of Rubles)

	Note	Years ended 31 December 2019	2018
Service revenues		**314,061**	322,070
Sale of equipment and accessories		**29,457**	26,147
Other revenues / other income		**3,898**	1,524
Total operating revenues	2,3	**347,416**	349,741
Service costs		**(71,565)**	(77,327)
Cost of equipment and accessories		**(29,887)**	(25,158)
Selling, general and administrative expenses (including impairment loss on financial assets of RUB 2,645 for 2019 and RUB 2,801 for 2018)	4	**(97,659)**	(126,249)
Depreciation	12	**(71,177)**	(53,686)
Amortization	13	**(10,617)**	(11,489)
Impairment loss	11	**(6,768)**	(14,053)
Loss on disposals of non-current assets		**(2,618)**	(1,912)
Gain on sale of subsidiaries		**–**	1,231
Total operating expenses, net		**(290,291)**	(308,643)
Operating profit		**57,125**	41,098
Finance costs		**(28,331)**	(22,148)
Finance income		**3,652**	3,763
Net foreign exchange gain / (loss)		**228**	(5,013)
Other non-operating (loss) / gain, net	5	**(3,816)**	2,850
Profit before tax		**28,858**	20,550
Income tax expense	10	**(11,423)**	(11,199)
Profit for the period		**17,435**	9,351
Profit for the period attributable to:			
The owners of the Company		**19,470**	12,078
Non-controlling interests	14	**(2,035)**	(2,727)
		17,435	9,351

Public Joint Stock Company “Vimpel-Communications”

Consolidated statement of comprehensive income
for the year ended 31 December 2019

(All amounts in millions of Rubles)

	Years ended 31 December	
	2019	**2018**
Profit for the period	**17,435**	9,351
Other comprehensive income / (loss)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on net investment in foreign operations	**(5,939)**	9,488
Income tax benefit / (expense)	**149**	(2,863)
Other comprehensive income / (loss) for the year, net of tax	**(5,790)**	6,625
Total comprehensive income / (loss) for the year, net of tax	**11,645**	15,976
Attributable to:		
Owners of the Company	**12,643**	18,645
Non-controlling interests	**(998)**	(2,669)
	11,645	15,976

Consolidated statement of financial position as of 31 December 2019

(All amounts in millions of Rubles)

	Note	31 December 2019	31 December 2018*
Assets			
Non-current assets			
Property and equipment	12	**278,147**	193,895
Intangible assets*	13	**120,031**	126,286
Deferred income tax assets	10	**1,169**	1,824
Other non-current financial assets	15	**868**	1,148
Other non-current assets	8	**1,888**	1,126
Total non-current assets		**402,103**	324,279
Current assets			
Inventories	7	**9,756**	9,040
Trade and other receivables	6	**23,634**	23,049
Other current assets	8	**11,146**	11,436
Current income tax assets	10	**558**	3,607
Other current financial assets	15	**51,786**	56,845
Cash and cash equivalents	16	**31,498**	29,420
Total current assets		**128,378**	133,397
Assets classified as held for sale		**22**	23
Total assets		**530,503**	457,699
Equity and liabilities			
Equity			
Equity attributable to equity owners of the Company	18	**138,330**	133,763
Non-controlling interests	14	**(266)**	3,053
Total equity		**138,064**	136,816
Non-current liabilities			
Trade and other payables		**728**	–
Other non-current financial liabilities	15	**247,280**	206,160
Provisions*	9	**4,556**	2,978
Deferred income tax liabilities	10	**5,269**	7,981
Other non-current liabilities	8	**647**	653
Total non-current liabilities		**258,480**	217,772
Current liabilities			
Trade and other payables*		**77,069**	71,414
Other current financial liabilities	15	**41,383**	10,228
Provisions*	9	**1,021**	830
Current income tax payables*	10	**1,769**	3,611
Other current liabilities*	8	**12,717**	17,028
Total current liabilities		**133,959**	103,111
Total equity and liabilities		**530,503**	457,699

** Certain comparative amounts do not correspond to the 2018 consolidated financial statements and reflect reclassification adjustments made to conform to the current period presentation (Note 22).*

Public Joint Stock Company "Vimpel-Communications"

Consolidated statement of changes in equity for the year ended 31 December 2019

(All amounts in millions of Rubles)

	Note	Issued capital	Capital surplus	Other capital reserves	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
		Attributable to the owners of the Company							
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	23	–	–	–	(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		–	–	–	19,470	–	**19,470**	(2,035)	**17,435**
Other comprehensive income / (loss)		–	–	–	–	(6,827)	**(6,827)**	1,037	**(5,790)**
Total comprehensive income / (loss)		**–**	**–**	**–**	**19,470**	**(6,827)**	**12,643**	**(998)**	**11,645**
Dividends declared	19	–	–	–	(8,000)	–	**(8,000)**	(1,824)	**(9,824)**
Acquisition of non-controlling interests	14	–	–	141	–	–	**141**	(497)	**(356)**
As of 31 December 2019		**3**	**40,234**	**37,458**	**122,594**	**(61,959)**	**138,330**	**(266)**	**138,064**

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

(All amounts in millions of Rubles)

	Issued capital	Capital surplus	Other capital reserves	Retained earnings	Foreign currency translation 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	–	–	–	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	–	–	–	(36,002)	–	**(36,002)**	(161)	**(36,163)**
Disposal of subsidiaries	–	–	–	–	(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 cash flows
for the year ended 31 December 2019

(All amounts in millions of Rubles)

	Note	Years ended 31 December 2019	2018
Operating activities			
Profit for the period		**17,435**	9,351
Income tax expense	10	**11,423**	11,199
Profit before tax		**28,858**	20,550
Non-cash adjustments to reconcile profit before tax to net cash flows from operating activities:			
Depreciation	12	**71,177**	53,686
Impairment loss	11	**6,768**	14,053
Amortization	13	**10,617**	11,489
Loss on disposal of non-current assets		**2,618**	1,912
Gain on sale of subsidiaries		**–**	(1,231)
Finance income		**(3,652)**	(3,763)
Finance costs		**28,331**	22,148
Other non-operating loss / (gain), net	5	**3,816**	(2,850)
Net foreign exchange (gain) / loss		**(228)**	5,013
Movements in provisions		**2,247**	318
Operating cash flows before working capital adjustments, interest and income taxes		**150,552**	121,325
Working capital adjustments			
(Increase) / decrease in trade and other receivables		**(3,927)**	485
Increase in inventories		**(1,864)**	(5,262)
Increase in trade and other payables		**56**	7,429
Interest and income taxes			
Interest paid		**(26,515)**	(21,130)
Interest received		**2,296**	2,279
Income tax paid		**(12,435)**	(9,272)
Net cash flows from operating activities		**108,163**	95,854
Investing activities			
Purchase of property, equipment and intangible assets net of proceeds from sale of property, equipment and intangible assets		**(69,094)**	(58,353)
Issue of loans	20	**(77,349)**	(106,797)
Repayment of loans issued	20	**79,115**	131,602
(Outflows) / inflows from investments in other financial assets		**(1,010)**	2,196
Inflows from deposits		**1,144**	1,106
Outflows from deposits		**(947)**	(1,069)
Disposal of subsidiaries, net of cash disposed		**(1)**	338
Acquisition of subsidiaries, net of cash acquired		**–**	(52)
Net cash flows used in investing activities		**(68,142)**	(31,029)
Financing activities			
Proceeds from borrowings, net of fees paid	15,20	**–**	286
Repayment of borrowings	15,20	**(7,710)**	(28,228)
Repayment associated with early debt redemption	15	**(705)**	–
Repayment of lease liabilities	15	**(16,387)**	–
Dividends paid to equity holders	19	**(8,000)**	(36,000)
Dividends paid to non-controlling interests	19	**(1,760)**	(163)
Acquisition of non-controlling interest	14	**(356)**	–
Net cash flows used in financing activities		**(34,918)**	(64,105)
Net increase in cash and cash equivalents		**5,103**	720
Effect of exchange rate changes on cash and cash equivalents, net		**(3,025)**	3,737
Cash and cash equivalents at the beginning of the period		**29,420**	24,963
Cash and cash equivalents at the end of the period		**31,498**	29,420

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 generates revenue from the provision of voice, data and other telecommunication services through a range of mobile and fixed and fixed-line technologies, as well as selling equipment and accessories. As of 31 December 2019, the Company operated telecommunications services in Russia, Kazakhstan, Uzbekistan, Armenia, Kyrgyzstan and Georgia primarily under the “Beeline” brand name.

On 1 January 2019, the Company adopted a new accounting standard – IFRS 16 Leases – using the modified retrospective approach. This means that the cumulative impact of the adoption was recognized in retained earnings as of 1 January 2019 and prior period comparatives were not restated. For more details please refer to Note 23.

The consolidated financial statements of the Company as of 31 December 2019 and for the year ended 31 December 2019 were authorized for issue by the General Director of PJSC “VimpelCom” on 27 March 2020.

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 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) (“EBITDA”) along with assessing the capital expenditures excluding certain costs such as those for right-of-use assets (“Capital expenditures”). Management does not analyze assets or liabilities by reportable segments.

As of 1 January 2019, the Company adopted the new accounting standard IFRS 16 Leases. Accordingly, operating lease expenses are no longer recorded in the income statement but are instead considered in recording a lease liability in the statement of financial position. The Company applied a modified retrospective approach, which means that prior period comparatives were not restated. Refer to Note 23 for more details. As a result, “EBITDA” in 2019 is not comparable to “EBITDA” in 2018.

As of 31 December 2019, management decided to show the financial impact of eliminations and other operations separately from operating companies. The comparative figures for 2018 period have been adjusted to reflect this change.

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. The “Eliminations and other” column in the tables below includes inter-company eliminations, holding companies and other unallocated adjustments.

(All amounts in millions of Rubles unless otherwise stated)

2. Segment information (continued)

Financial information by reportable segment for the years ended 31 December 2019 and 31 December 2018 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 2019

	Russia	Kazakhstan	Uzbekistan	Other operating companies	Eliminations and other	Group
Revenue						
External customers	290,049	29,888	16,628	10,726	125	**347,416**
Inter-segment	316	30	62	444	(852)	**–**
Total operating revenue	**290,365**	**29,918**	**16,690**	**11,170**	**(727)**	**347,416**
EBITDA	**122,927**	**15,278**	**8,804**	**3,791**	**(2,495)**	**148,305**
Capital expenditures*	**63,668**	**7,291**	**3,359**	**2,499**	**1**	**76,818**
Non-current assets**	**353,511**	**26,547**	**12,204**	**7,803**	**2,038**	**402,103**

** Excluding right-of-use assets recognized upon adoption of IFRS 16;*

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

Information by reportable segments for the year ended 31 December 2018

	Russia	Kazakhstan	Uzbekistan	Other operating companies	Eliminations and other	Group
Revenue						
External customers	291,863	25,605	19,720	11,821	732	**349,741**
Inter-segment	180	55	26	185	(446)	**–**
Total operating revenue	**292,043**	**25,660**	**19,746**	**12,006**	**286**	**349,741**
EBITDA*	**102,819**	**10,480**	**8,543**	**3,047**	**(3,882)**	**121,007**
Capital expenditures	**48,517**	**3,628**	**2,441**	**2,669**	**1,148**	**58,403**
Non-current assets**	**272,808**	**22,914**	**13,139**	**12,445**	**2,973**	**324,279**

** Impact from IFRS 16 is not included in the 2018 comparative numbers following a modified retrospective approach (Note 23);*

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

The following table provides the reconciliation of consolidated EBITDA to consolidated profit for the years ended 31 December 2019 and 31 December 2018:

	2019	2018
EBITDA	**148,305**	121,007
Depreciation	**(71,177)**	(53,686)
Amortization	**(10,617)**	(11,489)
Impairment loss	**(6,768)**	(14,053)
Loss on disposal of non-current assets	**(2,618)**	(1,912)
Gain on sale of subsidiaries	**–**	1,231
Finance costs	**(28,331)**	(22,148)
Finance income	**3,652**	3,763
Other non-operating (loss) / gain, net	**(3,816)**	2,850
Net foreign exchange gain / (loss)	**228**	(5,013)
Income tax expense	**(11,423)**	(11,199)
Profit for the period	**17,435**	9,351

(All amounts in millions of Rubles unless otherwise stated)

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.

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 2019:

	Russia	Kazakhstan	Uzbekistan	Other operating companies	Eliminations and other	Group
Revenue						
- Mobile	255,210	27,729	16,591	9,382	(445)	**308,467**
- Fixed line	35,155	2,189	99	1,788	(282)	**38,949**
Total operating revenue	**290,365**	**29,918**	**16,690**	**11,170**	**(727)**	**347,416**

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	Other operating companies	Eliminations and other	Group
Revenue						
- Mobile	256,513	23,530	19,609	9,946	584	**310,182**
- Fixed line	35,530	2,130	137	2,060	(298)	**39,559**
Total operating revenue	**292,043**	**25,660**	**19,746**	**12,006**	**286**	**349,741**

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.

On 16 April 2019, Kcell JSC announced the termination of the 4G/LTE network sharing agreement (the "Agreement") with KaR-Tel LLP (the subsidiary of the Group) signed in August 2016. In June 2019, following the early termination of the Agreement, KaR-Tel LLP received termination compensation in the amount of 14,552 million Kazakhstan tenge (RUB 2,479 or USD 38 million). The termination compensation was recorded in the line "Other revenue / other income" of the consolidated income statement for the year ended 31 December 2019.

Assets and liabilities arising from contracts with customers

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

	31 December 2019	31 December 2018
Contract balances		
Receivables (billed)	**24,498**	23,700
Contract assets (unbilled)	**595**	917
Contract liabilities		
- Deferred revenue	**1,946**	1,129
- Customer advances, net of VAT	**2,904**	3,095
Capitalized costs		
Customer acquisition costs	**705**	608

3. Operating revenue (continued)

Accounting policies

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 several performance obligations (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.

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

The vast majority of equipment and accessories sales pertain to mobile handsets and accessories. Revenue 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” and “Customer advances, net of VAT” in Note 8.

(All amounts in millions of Rubles unless otherwise stated)

3. Operating revenue (continued)

Accounting policies (continued)

Contract balances (continued)

All current contract liabilities 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.

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 2019 and 31 December 2018:

	2019	**2018**
Personnel costs	**31,853**	31,028
Customer associated costs	**22,702**	31,409
Network and IT costs	**22,340**	23,139
Taxes other than income tax	**6,425**	9,883
Services costs and variable part of the other lease payments (2018: operating lease and other rent expenses)	**4,408**	18,821
Consulting and professional service costs	**3,097**	4,980
Losses on receivables	**2,645**	2,801
Other general and administrative expenses	**4,189**	4,188
Total	**97,659**	126,249

(All amounts in millions of Rubles unless otherwise stated)

4. Selling, general and administrative expenses (continued)

Accounting policies

Leases

As of 1 January 2019, the Company adopted the new accounting standard IFRS 16 Leases. Operating lease expenses are no longer recorded in the income statement but are instead considered in recording a lease liability in the statement of financial position, except for short-term leases, leases for low value items, services costs and variable part of the other lease payments which are immediately expensed as incurred. The Company applied a modified retrospective approach, which means that prior period comparatives were not restated. Refer to Note 23 for more details.

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 and subsequently amortized within "Customer associated costs", see Note 3 for further details.

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

Other non-operating gain / (loss), net consisted of the following items for the years ended 31 December 2019 and 31 December 2018:

	Note	2019	2018
Changes in the fair value of non-hedge derivatives*		**(2,953)**	3,198
Loss from early debt redemption	15	**(719)**	–
Other loss, net		**(144)**	(348)
Total other non-operating (loss) / gain, net		**(3,816)**	2,850

** 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.*

6. Trade and other receivables

Trade and other receivables consisted of the following items as of 31 December 2019 and 31 December 2018:

	31 December 2019	31 December 2018
Trade receivables, gross*	**25,093**	24,617
Expected credit losses allowance	**(3,406)**	(3,150)
Trade receivables, net	**21,687**	21,467
Other receivables, net of expected credit losses allowance	**1,947**	1,582
Total trade and other receivables	**23,634**	23,049

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

As of 31 December 2019, an allowance for expected credit losses of RUB 3,406 (31 December 2018: RUB 3,150) was recorded against trade receivables. See below the movements in the expected credit losses allowance:

	2019	2018
Balance as of 1 January	**3,150**	2,485
Adjustments due to new accounting standards	**–**	189
Accruals for expected credit losses	**2,645**	2,757
Accounts receivable written off	**(1,775)**	(1,686)
Change in estimates	**(441)**	(673)
Foreign currency translation adjustment	**(173)**	78
Balance as of 31 December	**3,406**	3,150

(All amounts in millions of Rubles unless otherwise stated)

6. Trade and other receivables (continued)

Set out below is the information about the Group’s trade receivables (including 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 2019						
Trade receivables, gross	595	16,748	3,176	1,675	2,899	**25,093**
Expected loss rate, %	1.0%	1.5%	11.6%	44.8%	70.1%	
Expected credit losses	(6)	(251)	(367)	(750)	(2,032)	**(3,406)**
Total trade receivables, net	**589**	**16,497**	**2,809**	**925**	**867**	**21,687**

	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**

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 expected credit loss allowance (ECL) is recognized for all receivables measured at amortized cost at each reporting date. This means that ECL 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 2019 and 31 December 2018:

	31 December 2019	31 December 2018
Telephone handsets and accessories for sale	**10,583**	8,772
SIM-Cards	**442**	444
Other inventories	**171**	371
Obsolescence allowance	**(1,440)**	(547)
Total	**9,756**	9,040

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 1,187 and RUB 1,365 for the years ended 31 December 2019 and 31 December 2018, 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 2019 and 31 December 2018:

	Note	31 December 2019	31 December 2018
Other non–current assets			
Customer acquisition costs	3	**705**	608
Advances to suppliers and prepayments		**134**	308
Deferred costs related to connection fees		**102**	116
Input value added tax		**62**	75
Other non-current assets		**885**	19
Total other non–current assets		**1,888**	1,126
Other current assets			
Input value added tax		**6,163**	5,434
Advances to suppliers		**3,708**	5,253
Prepaid taxes		**857**	503
Deferred costs related to connection fees		**93**	81
Other current assets		**325**	165
Total other current assets		**11,146**	11,436

Other liabilities consisted of the following items as of 31 December 2019 and 31 December 2018:

	Note	31 December 2019	31 December 2018*
Other non–current liabilities			
Long–term deferred revenue	3	**227**	185
Other non–current liabilities		**420**	468
Total other non–current liabilities		**647**	653
Other current liabilities			
Other taxes payable		**4,262**	7,889
Amounts due to employees		**3,832**	5,034
Customer advances, net of VAT*	3	**2,904**	3,098
Short–term deferred revenue	3	**1,719**	944
Other current liabilities		**–**	63
Total other current liabilities		**12,717**	17,028

** Certain comparative amounts do not correspond to the 2018 consolidated financial statements and reflect reclassification adjustments made to conform to the current period presentation (Note 22).*

9. Provisions, contingencies and uncertainties

Provisions

The following table summarizes the movement in provisions for the year ended 31 December 2019:

	Decommis-sioning provision	Non-income tax provisions	Legal and other provisions	Total provisions
As of 31 December 2018	**2,978**	**479**	**351**	**3,808**
Adoption of IFRS 16	–	–	(154)	**(154)**
Arising during the year	452	514	47	**1,013**
Utilized	(48)	(22)	(171)	**(241)**
Unused amounts reversed	–	(235)	–	**(235)**
Discount and inflation rate adjustment	1,158	–	–	**1,158**
Translation adjustment and other movements	16	248	(36)	**228**
As of 31 December 2019	**4,556**	**984**	**37**	**5,577**
- Non–current portion	4,556	–	–	**4,556**
- Current portion	–	984	37	**1,021**

(All amounts in millions of Rubles unless otherwise stated)

9. Provisions, contingencies and uncertainties (continued)

The following table summarizes the movement in provisions for the year ended 31 December 2018:

	Decommis-sioning provision	Non-income tax provisions	Legal and other provisions	Total provisions*
As of 31 December 2017	**2,715**	**686**	**307**	**3,708**
Arising during the year	323	101	14	**438**
Utilized	(160)	(164)	–	**(324)**
Unused amounts reversed	12	(216)	–	**(204)**
Translation adjustment and other	88	72	30	**190**
As of 31 December 2018	**2,978**	**479**	**351**	**3,808**
- Non–current portion	2 978	–	–	**2,978**
- Current portion	–	479	351	**830**

* *Comparative amounts do not correspond to the 2018 consolidated financial statements and reflect reclassification adjustments made to conform to the current period presentation (Note 22).*

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.

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. 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 the Company and VEON Ltd. operating in Uzbekistan. VEON Ltd. also agreed to oversight by an independent compliance monitor to promote continued, and regular, compliance enhancements across the Company and its subsidiaries. On 31 October 2019, VEON Ltd. announced that the DPA had concluded and the DOJ filed a motion to dismiss the criminal information in the District Court, marking the conclusion of the compliance monitorship required by the DPA and VEON Ltd.’s settlement with the US Department of Justice and Securities and Exchange Commission. On 26 February 2020, the District Court granted the motion to dismiss with prejudice and closed the case.

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) was not be separately accountable for payment of any penalties. Instead, the fines, disgorgement and all legal fees were paid by VEON Ltd. Accordingly, there are no contingent liabilities in the consolidated financial statements of the Company as of 31 December 2019.

9. Provisions, contingencies and uncertainties (continued)

Contingencies and uncertainties (continued)

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 (Note 15), VEON Amsterdam B.V. partially repurchased the current notes issued by VEON Holdings B.V. As of 31 December 2019 and 31 December 2018, the outstanding principal amount under the notes was USD 417 million (the equivalent of RUB 25,815 as of 30 December 2019 at the exchange rate provided by the Central Bank of Russia) and 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), respectively. No triggering events under the guarantee occurred. The Company believes that probability of these events is remote.

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.

Accounting policy

Provisions are recognized when the Group 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. Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

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.

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.

(All amounts in millions of Rubles unless otherwise stated)

9. Provisions, contingencies and uncertainties (continued)

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 2019. 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.

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 payables

As of 31 December 2019 and 31 December 2018, current income tax payables consisted of the following items:

	31 December 2019	**31 December 2018**
Current tax payable	**168**	564
Uncertain tax positions	**1,601**	3,047
Total current income tax	**1,769**	3,611

Income tax assets

As of 31 December 2019, the Company reported current income tax assets totaling RUB 558 (as of 31 December 2018: RUB 3,607). This mainly relates to advanced tax payments in our operating companies in Uzbekistan and Kazakhstan (as of 31 December 2018: in Russia and Uzbekistan) which can only be offset against income tax liabilities in that relevant jurisdiction, in fiscal periods subsequent to balance sheet date.

(All amounts in millions of Rubles unless otherwise stated)

10. Income taxes (continued)

Income tax expense

Income tax expense consisted of the following for the years ended 31 December 2019 and 31 December 2018:

	2019	2018
Current income taxes		
Current income tax charge	**12,503**	12,034
Withholding tax expenses	**1,223**	81
Total current income tax	**13,726**	12,115
Deferred income taxes		
Movement of temporary differences and losses	**(2,924)**	(2,715)
Adjustments in respect of previous years	**(10)**	1,472
Current year tax losses unrecognized	**8**	126
Changes in tax rates	**464**	(86)
Changes in recognized deferred tax	–	(30)
Expiration of tax losses	–	18
Other deferred tax effects	**159**	299
Total deferred income tax expense	**(2,303)**	(916)
Income tax expense reported in the consolidated income statement	**11,423**	11,199
Consolidated statement of comprehensive income:		
Income tax effect of foreign currency gains / (losses) related to intercompany loans that form part of net investment in foreign operations and decrease of deferred tax asset	**149**	(2,863)
Income tax benefit / (expense) reported in other comprehensive income	**149**	(2,863)

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 2019 and 31 December 2018:

	2019		2018	
Profit before tax	**28,858**	**%**	20,550	%
Income tax expense computed on profit before tax at statutory tax rate	**5,772**	**20.0%**	4,110	20.0%
Difference due to the effects of:				
Non-deductible impairment of non-current assets including goodwill	**579**	**2.0%**	1,815	8.8%
Changes in recognition of deferred tax assets on losses and other carry forwards	**(97)**	**(0.3%)**	183	0.9%
Other non-deductible expenses	**624**	**2.2%**	332	1.6%
Current and deferred tax effect of intragroup dividends	**1,186**	**4.1%**	186	0.9%
Refiling of tax returns	**2,702**	**9.4%**	127	0.6%
Uncertain tax positions	**(1,010)**	**(3.5%)**	6	0.0%
Change in income tax rates	**464**	**1.6%**	(86)	(0.4%)
Different tax rates in different jurisdictions	**1,054**	**3.7%**	2,755	13.4%
Effect of prior year adjustments	**(10)**	**0.0%**	1,472	7.2%
Others	**159**	**0.6%**	299	1.5%
Income tax expense reported in the consolidated income statement	**11,423**	**39.6%**	11,199	54.5%

(All amounts in millions of Rubles unless otherwise stated)

10. Income taxes (continued)

Explanatory notes to the effective income tax rate

Reason	Explanation 2019
Non-deductible impairment of non-current assets including goodwill	The effect of impairment relates to impairment of property and equipment, intangible assets and goodwill in Kyrgyzstan in the amount of RUB 5,789 and income tax effect of RUB 579 (Note 11).
Change in recognition of deferred tax assets on losses and other carry forwards	In 2019, the effective income tax rate was impacted by a RUB (97) change in recognition of deferred tax assets resulting from recognition of previously unrecognized tax losses in Swiss holding entities.
Other non-deductible expenses	The non-deductible expenses (net of non-taxable income) have an increasing effect on the effective income tax rate of RUB 624. The most significant items RUB 368 effect of foreign exchange results and RUB 136 of nondeductible depreciation expense.
Current and deferred tax effect of intragroup dividends	The effect relates mostly to withholding taxes paid on dividends distributed by foreign subsidiaries, including tax effect of RUB 600 on intragroup dividends paid in Armenia, RUB 544 paid in Uzbekistan and RUB 73 paid in Kyrgyzstan. These amounts are net off by correction of tax effect of expected dividends to be paid by foreign subsidiaries.
Refiling of tax returns	In 2019, the effect of refiling of tax returns in Russia for previous periods amounts to RUB 2,702.
Uncertain tax positions	The uncertain tax positions relate to changes in provisions for uncertain income tax positions and mostly relate to Russia of RUB (1,010).
Change in income tax rates	Changes in tax rates impact the valuation of existing temporary differences. The amount of RUB 464 relates to change in tax rates applied to deferred taxes in Armenia and Luxembourg.
Different tax rates in different jurisdictions	Adjustment of RUB 1,054 is due to different tax rates of countries that are higher or lower compared to the Russian statutory income tax rate of 20%. In 2019, the most significant effects were in Kyrgyzstan and Georgia amounted to RUB 582 and RUB 423 respectively.
Effect of prior year adjustments	Effect of prior year adjustments of RUB (10) mostly relates to updated tax positions in Russia in the amount of RUB 421 and Uzbekistan in the amount of RUB 169 net of by RUB (630) effect in Luxembourg.
Others	Other effect of RUB 159 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 2019 and 31 December 2018:

	31 December 2019	**31 December 2018**
Deferred income tax assets	**1,169**	1,824
Deferred income tax liabilities	**(5,269)**	(7,981)
Net deferred income tax position	**(4,100)**	(6,157)

(All amounts in millions of Rubles unless otherwise stated)

10. Income taxes (continued)

Deferred income taxes (continued)

The following table shows the movements of the deferred income tax assets and liabilities in 2019:

	31 December 2019	Charge to profit and loss	Tax rate changes	Other	Currency translation adjustment	31 December 2018
Property and equipment	**(28,752)**	(13,822)	(58)	(126)	188	**(14,934)**
Intangible assets	**118**	137	(9)	–	(6)	**(4)**
Other non-current assets	**(503)**	(136)	1	–	20	**(388)**
Trade accounts receivable	**(44)**	205	(27)	9	(85)	**(146)**
Other current assets	**199**	167	(1)	(88)	(29)	**150**
Undistributed retained earnings of subsidiaries	**(353)**	(32)	–	–	40	**(361)**
Provisions	**794**	231	(3)	–	(217)	**783**
Financial liabilities (non-current)	**14,116**	13,193	(14)	261	(63)	**739**
Other liabilities (non-current)	**129**	(102)	–	–	168	**63**
Trade and other payables	**7,848**	491	(5)	(116)	(242)	**7,720**
Other current liabilities	**(1,278)**	(540)	2	–	50	**(790)**
Other current financial liabilities	**3,190**	3,196	–	–	(8)	**2**
Other movements and temporary differences	**42**	3	–	–	190	**(151)**
Tax losses and other carry forwards	**10,982**	(85)	(350)	–	1,663	**9,754**
Non recognized deferred tax assets on losses and other carry forwards	**(10,588)**	(139)	–	–	(1,855)	**(8,594)**
Net deferred tax position	**(4,100)**	2,767	(464)	(60)	(186)	**(6,157)**

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)**

Unused tax losses and other credits carried forwards

VimpelCom 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 2019 and 31 December 2018 are as follows.

As of 31 December 2019	0-5 years	6-10 years	Indefinite	Total
Tax losses expiry				
Recognized losses	1,966	–	–	**1,966**
Recognized DTA	394	–	–	**394**
Non-recognized losses	57	11,147	66,924	**78,128**
Non-recognized DTA	13	2,229	8,346	**10,588**

(All amounts in millions of Rubles unless otherwise stated)

10. Income taxes (continued)

Unused tax losses and other credits carried forwards (continued)

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**

Losses mainly relate to holding entity in Luxembourg (2019: RUB 66,924; 2018: RUB 27,582) and operating entities in Russia (2019: RUB 11,147; 2018: RUB 11,126) and Uzbekistan (2019: RUB 1,966; 2018: RUB 5,802).

VimpelCom reports the tax effect of undistributed profits of subsidiaries that will be distributed in the foreseeable future. As of 31 December 2019, the Company recorded a deferred income tax liability of RUB 353 (31 December 2018: RUB 361) relating to the tax effect of the undistributed profits that will be distributed in the foreseeable future in relation to its Uzbekistan operations.

As of 31 December 2019, 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 85,785 (as of 31 December 2018: RUB 95,089). Accordingly, no deferred income tax liability is recognized for this amount of undistributed profits.

Accounting policy

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.

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 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

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.

10. Income taxes (continued)

Source of estimation uncertainty (continued)

Tax risks (continued)

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.

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.

Uncertain tax positions

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. In 2019, VimpelCom adopted IFRC 23 “Uncertainty over income tax treatments” (Note 23).

Investing activities of the Group

11. 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.

(All amounts in millions of Rubles unless otherwise stated)

11. Impairment of assets (continued)

Impairment losses

Impairment losses for the years ended 31 December 2019 and 31 December 2018 consisted of the following items:

	2019				2018			
CGU's	**Property and equipment**	**Intangible assets**	**Goodwill**	**Total impairment for 2019**	**Property and equipment**	**Intangible assets**	**Goodwill**	**Total impairment for 2018**
Kyrgyzstan	2,106	201	3,482	**5,789**	(17)	–	3,089	**3,072**
Russia	1,135	(162)	–	**973**	1,830	162	–	**1,992**
Georgia	13	–	–	**13**	2,142	1,296	–	**3,438**
Kazakhstan	(7)	–	–	**(7)**	79	–	–	**79**
Armenia	–	–	–	**–**	3,079	693	1,700	**5,472**
Total	3,247	39	3,482	**6,768**	7,113	2,151	4,789	**14,053**

In 2019, due to operational underperformance of its operations in Kyrgyzstan, the Company revised its previous estimates and assumptions regarding the future cash flows of the Kyrgyzstan CGU. As a result, the Company recorded an impairment against the carrying values of the Kyrgyzstan CGU during the year ended 31 December 2019. The impairment loss for CGU Kyrgyzstan was 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 consequently recorded an impairment loss for the CGUs Russia and Georgia.

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 prepared by management.

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	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Russia	**9.1%**	10.3%	**1.4%**	1.1%	**1.6%**	1.3%	**34.7%**	34.6%	**19.9%**	19.8%
Kazakhstan	**9.2%**	8.4%	**5.3%**	2.8%	**3.3%**	1.1%	**49.9%**	46.5%	**20.0%**	17.7%
Kyrgyzstan	**14.1%**	14.8%	**1.6%**	2.8%	**5.0%**	5.0%	**31.4%**	39.9%	**26.9%**	17.2%
Uzbekistan	**14.5%**	13.1%	**4.1%**	5.5%	**6.0%**	6.3%	**51.4%**	43.9%	**19.4%**	16.2%
Armenia	**11.4%**	12.5%	**(1.0%)**	0.2%	**3.0%**	0.8%	**23.9%**	23.6%	**23.0%**	21.0%
Georgia	**9.6%**	10.6%	**3.6%**	2.1%	**3.0%**	3.0%	**28.9%**	24.5%	**22.0%**	23.8%

11. Impairment of assets (continued)

Key assumptions (continued)

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 5.6% (2018: 5.4%). 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 pre-IFRS 16 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 excluding right-of-use assets and intangible assets other than goodwill and licenses. 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.

Sensitivity to changes in assumptions

There is no reasonably possible change in any of the above key assumptions which would cause the carrying value of any CGU to significantly exceed its recoverable amount and would result in additional material impairment loss to be recognized.

11. 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)

12. Property and equipment

The following table summarizes the movement in property and equipment for the years ended 31 December 2019 and 31 December 2018:

Property and equipment	**Telecom-munication equipment**	**Land, buildings and constructions**	**Office and other equipment**	**Equipment not installed and assets under construction**	**Right-of-use assets**	**Total**
Net book value						
As of 31 December 2017	**156,047**	**8,827**	**22,582**	**17,205**	–	**204,661**
Additions	1,621	117	280	46,205	–	**48,223**
Disposals	(1,575)	(84)	(588)	(91)	–	**(2,338)**
Depreciation charge	(45,805)	(1,103)	(6,778)	–	–	**(53,686)**
Impairment (Note 11)	(3,776)	(546)	(467)	(2,324)		**(7,113)**
Transfers	38,350	1,196	7,163	(46,709)	–	–
Reclassification to assets held for sale	–	(23)	–	–	–	**(23)**
Translation adjustment	3,085	190	400	496	–	**4,171**
As of 31 December 2018	**147,947**	**8,574**	**22,592**	**14,782**	–	**193,895**
Cost	467,562	19,989	70,860	21,217	–	**579,628**
Accumulated depreciation and impairment	(319,615)	(11,415)	(48,268)	(6,435)	–	**(385,733)**
As of 31 December 2018	**147,947**	**8,574**	**22,592**	**14,782**	–	**193,895**
Right-of-use assets - adjustments due to IFRS 16 adoption (Note 23)	(4,777)	–	–	–	92,408	**87,631**
As of 1 January 2019	**143,170**	**8,574**	**22,592**	**14,782**	**92,408**	**281,526**
Additions	2,953	(54)	225	62,952	5,890	**71,966**
Disposals	(2,040)	(50)	(369)	(638)	(848)	**(3,945)**
Depreciation charge	(43,042)	(1,352)	(7,036)	–	(19,747)	**(71,177)**
Impairment (Note 11)	(1,868)	(50)	(188)	(1,043)	(98)	**(3,247)**
Transfers	50,703	1,323	6,498	(58,195)	(329)	**–**
Modifications of right-of-use assets	–	–	–	–	8,461*	**8,461**
Reclassification from assets held for sale	–	1	–	–	–	**1**
Other movements	–	278	–	–	–	**278**
Translation adjustment	(3,338)	(180)	(485)	(613)	(1,100)	**(5,716)**
As of 31 December 2019	**146,538**	**8,490**	**21,237**	**17,245**	**84,637**	**278,147**
Cost	466,057	19,957	73,786	24,496	106,016	**690,312**
Accumulated depreciation and impairment	(319,519)	(11,467)	(52,549)	(7,251)	(21,379)	**(412,165)**
As of 31 December 2019	**146,538**	**8,490**	**21,237**	**17,245**	**84,637**	**278,147**

* *Including leases in the amount of RUB 2,757 commencing subsequent to transition date committed to as of 31 December 2018 (Note 23).*

(All amounts in millions of Rubles unless otherwise stated)

12. Property and equipment (continued)

The following table summarizes the movements in the net book value of right-of-use assets ("ROU") for the year ended 31 December 2019:

Right-of-use assets	**Telecom-munication equipment**	**Land, buildings and constructions**	**Office and other equipment**	**Total**
Net book value				
As of 1 January 2019	**68,987**	**23,241**	**180**	**92,408**
Additions	5,147	671	72	**5,890**
Disposals	(504)	(343)	(1)	**(848)**
Depreciation charge	(11,919)	(7,719)	(109)	**(19,747)**
Impairment (Note 11)	–	(98)	–	**(98)**
Transfers	947	(1,179)	(97)	**(329)**
Modifications of right-of-use assets	5,548	2,885	28	**8,461**
Translation adjustment and other movements	(865)	(213)	(22)	**(1,100)**
As of 31 December 2019	**67,341**	**17,245**	**51**	**84,637**
Cost	80,985	24,874	157	**106,016**
Accumulated depreciation and impairment	(13,644)	(7,629)	(106)	**(21,379)**
As of 31 December 2019	**67,341**	**17,245**	**51**	**84,637**

Non-cash investing activities

During 2019, VimpelCom acquired property and equipment in the amount of RUB 19,142 (2018: RUB 12,466), which were not paid for as of year-end.

Capital commitments

Capital commitments for the future purchase of equipment as of 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	**31 December 2018**
Less than 1 year	**34,926**	25,053
Between 1 and 3 years	**1,120**	270
Total	**36,046**	25,323

Capital commitments arising from telecom licenses

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.

(All amounts in millions of Rubles unless otherwise stated)

12. 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.

Right-of-use assets

Refer to Note 23 for the accounting policies that apply from 1 January 2019 with respect to right-of-use assets.

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)

13. Intangible assets

The following table summarizes the movement in intangible assets for the years ended 31 December 2019 and 31 December 2018:

Intangible assets	**Telecommu-nications licenses, frequencies and permissions**	**Software**	**Customer relation-ships**	**Other intangible assets**	**Goodwill**	**Total**
Net book value						
As of 31 December 2017	**16,035**	**11,435**	**2,988**	**791**	**100,814**	**132,063**
Additions	1,815	7,042	–	1,323	–	**10,180**
Disposals	(2)	(74)	–	(6)	–	**(82)**
Amortization	(3,046)	(7,343)	(742)	(358)	–	**(11,489)**
Impairment	(1,371)	(668)	–	(112)	(4,789)	**(6,940)**
Transfers	28	65	–	(93)	–	**–**
Translation adjustment	519	283	–	48	1,704	**2,554**
As of 31 December 2018	**13,978**	**10,740**	**2,246**	**1,593**	**97,729**	**126,286**
Cost	39,998	34,560	19,600	12,298	115,804	**222,260**
Amortization and impairment	(26,020)	(23,820)	(17,354)	(10,705)	(18,075)	**(95,974)**
As of 31 December 2018	**13,978**	**10,740**	**2,246**	**1,593**	**97,729**	**126,286**
Adjustments due to IFRS 16 adoption (Note 23)	–	–	–	(1,038)	–	**(1,038)**
As of 1 January 2019	**13,978**	**10,740**	**2,246**	**555**	**97,729**	**125,248**
Additions	2,118	7,838	–	786	–	**10,742**
Disposals	(1)	(19)	–	(1)	–	**(21)**
Amortization	(3,029)	(7,054)	(408)	(126)	–	**(10,617)**
Impairment (Note 11)	(149)	110	–	–	(3,482)	**(3,521)**
Transfers	26	115	–	(141)	–	**–**
Translation adjustment	(399)	(335)	–	(35)	(1,031)	**(1,800)**
As of 31 December 2019	**12,544**	**11,395**	**1,838**	**1,038**	**93,216**	**120,031**
Cost	38,891	35,175	19,600	11,191	113,155	**218,012**
Amortization and impairment	(26,347)	(23,780)	(17,762)	(10,153)	(19,939)	**(97,981)**
As of 31 December 2019	**12,544**	**11,395**	**1,838**	**1,038**	**93,216**	**120,031**

The movement in goodwill for the Group, per cash generating unit (“CGU”), consisted of the following items as of 31 December 2019 and 31 December 2018:

CGU's	**31 December 2019**	**Impairment (Note 11)**	**Currency translation adjustment**	**31 December 2018**	**Impairment**	**Currency translation adjustment**	**31 December 2017**
Russia	**87,984**	–	–	**87,984**	–	–	**87,984**
Kazakhstan	**4,035**	–	(458)	**4,493**	–	188	**4,305**
Uzbekistan	**1,197**	–	(334)	**1,531**	–	226	**1,305**
Kyrgyzstan	–	(3,482)	(239)	**3,721**	(3,089)	1,036	**5,774**
Armenia	–	–	–	**–**	(1,700)	254	**1,446**
Total	**93,216**	**(3,482)**	**(1,031)**	**97,729**	**(4,789)**	**1,704**	**100,814**

Non-cash investing activities

During 2019, VimpelCom acquired intangible assets in the amount of RUB 1,227 (2018: RUB 1,611), which was not paid for as at respective year end.

(All amounts in millions of Rubles unless otherwise stated)

13. Intangible assets and goodwill (continued)

Capital commitments

Capital commitments for the future purchase of intangible assets as of 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Less than 1 year	**4,299**	1,485
Between 1 and 3 years	**327**	–
Total	**4,626**	1,485

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.

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.

Source of estimation uncertainty

Depreciation and amortization of non-current assets

Refer also to Note 12 for further details regarding source of estimation uncertainty.

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.

(All amounts in millions of Rubles unless otherwise stated)

14. Investments in subsidiaries

The consolidated financial statements of the Group include the following key subsidiaries as of 31 December 2019 and 31 December 2018:

Name of key subsidiaries	Country of operation	Nature of subsidiary	Ownership interest held by the Group 2019	2018
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	**55.4%**	55.4%
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%
Nouse Limited[1]	Cyprus	Holding	**100,0%**	52,0%
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%

[1] 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.

Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests for the years ended 31 December 2019 and 31 December 2019 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	
		2019	2018	2019	2018	2019	2018
KaR-Tel, LLP	Kazakhstan	**25.0%**	25.0%	**5,279**	5,410	**1,733**	1,204
Sky Mobile, LLC	Kyrgyzstan	**49.9%**	49.9%	**2,132**	6,224	**(2,852)**	(1,248)
VEON Georgia, LLC	Georgia	**49.0%**	49.0%	**(11,038)**	(12,129)	**(1,046)**	(2,810)

The summarized financial information of these subsidiaries before intercompany eliminations for the years ended 31 December 2019 and 31 December 2018 are detailed below.

Summarized income statements

	KaR-Tel, LLP		Sky Mobile, LLC		VEON Georgia, LLC	
	2019	2018	2019	2018	2019	2018
Operating revenue	**29,840**	25,660	**4,100**	5,043	**2,505**	2,685
Operating expenses	**(20,639)**	(19,943)	**(9,738)**	(7,511)	**(1,813)**	(6,293)
Other income / (costs)	**(364)**	388	**(84)**	34	**(2,807)**	(2,104)
Profit / (loss) before tax	**8,837**	6,105	**(5,722)**	(2,434)	**(2,115)**	(5,712)
Income tax expense	**(1,904)**	(1,291)	**7**	(69)	**(19)**	(23)
Profit / (loss) for the year	**6,933**	4,814	**(5,715)**	(2,503)	**(2,134)**	(5,735)
Attributed to:						
Owners of the Company	**5,200**	3,610	**(2,863)**	(1,255)	**(1,088)**	(2,925)
Non-controlling interest	**1,733**	1,204	**(2,852)**	(1,248)	**(1,046)**	(2,810)
	6,933	4,814	**(5,715)**	(2,503)	**(2,134)**	(5,735)

(All amounts in millions of Rubles unless otherwise stated)

14. Investments in subsidiaries (continued)

Material partly-owned subsidiaries (continued)

Summarized statements of financial position

	KaR-Tel, LLP		Sky Mobile, LLC		VEON Georgia, LLC	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Property and equipment	**16,781**	13,330	**3,065**	5,274	**1,699**	882
Intangible assets	**9,372**	9,254	**334**	4,394	**359**	435
Other non-current assets	**1,606**	1,341	**175**	161	**132**	137
Trade and other receivables	**1,106**	894	**218**	215	**278**	289
Cash and cash equivalents	**2,441**	1,987	**1,277**	3,010	**363**	185
Other current assets	**700**	1,050	**1,164**	811	**163**	138
Loans and borrowings	**(3,875)**	–	**(428)**	–	**(24,266)**	(25,420)
Trade and other payables	**(5,995)**	(4,455)	**(1,269)**	(1,111)	**(1,076)**	(1,204)
Provisions	**(365)**	(298)	**(93)**	(105)	**(115)**	(126)
Other liabilities	**(657)**	(1,462)	**(171)**	(171)	**(64)**	(69)
Total equity	**21,114**	21,641	**4,272**	12,478	**(22,527)**	(24,753)
Attributed to:						
Owners of the Company	**15,835**	16,231	**2,140**	6,254	**(11,489)**	(12,624)
Non-controlling interests	**5,279**	5,410	**2,132**	6,224	**(11,038)**	(12,129)
	21,114	21,641	**4,272**	12,478	**(22,527)**	(24,753)

Summarized cash flow statements

	KaR-Tel, LLP		Sky Mobile, LLC		VEON Georgia, LLC	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Net cash flows from operating activities	**12,883**	9,183	**1,069**	1,811	**996**	414
Net cash flows used in investing activities	**(5,385)**	(2,745)	**(989)**	(1,105)	**(581)**	(570)
Net cash flows (used in) / from financing activities	**(6,664)**	(6,050)	**(1,558)**	–	**(207)**	286
Effect of exchange rate changes on cash and cash equivalents	**(382)**	774	**(255)**	455	**(45)**	24
Net decrease in cash and cash equivalents	**452**	1,162	**(1,733)**	1,161	**163**	154

Accounting policies

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)

Financing activities of the Group

15. Financial assets and liabilities

The other financial assets and other financial liabilities consisted of the following items as of 31 December 2019 and 31 December 2018:

	Note	31 December 2019	31 December 2018
Other financial assets			
Other financial assets at fair value through profit or loss			
Derivatives not designated as hedges			
- Foreign exchange contracts		–	987
Total other financial assets at fair value through profit or loss		–	987
Other financial assets at amortised cost			
- Loans granted to related parties, principal amount		**51,659**	55,453
- Loans granted to related parties, interest receivable		**291**	222
Loans granted to related parties	20	**51,950**	55,675
Other financial assets		**704**	1,331
Total other financial assets at amortised cost		**52,654**	57,006
Total other financial assets		**52,654**	57,993
- Non-current		**868**	1,148
- Current		**51,786**	56,845
Other financial liabilities			
Other financial liabilities at fair value through profit or loss			
Derivatives not designated as hedges			
- Foreign exchange contracts		**659**	–
Total other financial liabilities at fair value through profit or loss		**659**	–
Other financial liabilities at amortised cost			
- Loans payables to related parties, principal amount		**173,978**	183,703
- Loans payables to related parties, interest payable		**9 450**	9,947
- Unamortised fees on loans payables to related parties		**(429)**	(610)
Loans payables to related parties	20	**182,999**	193,040
- Bonds, principal amount		**17,321**	19,303
- Bonds, interest payable		**534**	598
- Unamortised fees on bonds		**(20)**	(32)
Bonds		**17,835**	19,869
Lease liabilities (2018*: equipment financing and finance lease liabilities)		**87,090**	3,342
Other liabilities		**80**	137
Total financial liabilities at amortised cost		**288,004**	216,388
Total other financial liabilities		**288,663**	216,388
- Non-current		**247,280**	206,160
- Current		**41,383**	10,228

** Carrying values of equipment financing and finance leases liabilities as of 31 December 2018 were reclassified to lease liabilities on 1 January 2019 following IFRS 16 adoption (Note 23).*

Bonds

The Company had the following principal amounts outstanding for bonds as of 31 December 2019 and 31 December 2018:

Borrower	Type of bonds	Interest rate	Maturity	Currency	31 December 2019	31 December 2018
PJSC “VimpelCom”, via “VIP Finance Ireland”	Eurobonds	7.75%	2021	USD	**16,219**	18,201
PJSC “VimpelCom”	Ruble bonds	7.00%	2022	RUB	**597**	597
PJSC “VimpelCom”	Ruble bonds	1.00%	2025	RUB	**505**	505
Total bonds, principal amount					**17,321**	19,303
- Non-current portion					**16,219**	19,303
- Current portion					**1,102**	–

15. Financial assets and liabilities (continued)

Lease liabilities

On 1 January 2019, the Company adopted IFRS 16 Leases, for further details please refer to Note 23. Interest expense on lease liabilities is presented in "Finance costs" within the consolidated income statement.

Major treasury events during 2019

There were no significant changes in financial assets and liabilities for the year ended 31 December 2019, except for the scheduled repayments of debt and adoption of IFRS 16 Leases (Note 23) or as described below.

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 9) 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 9) 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).

The carrying value of the bonds subject to the purchase was adjusted on 15 January 2019 to reflect the expected additional cash flows of the bonds stemming from the agreed premiums, the costs associated with the execution of the transaction and 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 (Note 5) to reflect the nature of the adjustment.

Significant changes in the financial assets and liabilities are also related to the loans received from related parties and the amount of interest accrued due on them, as well as loans granted to related parties and the amount of interest accrued due on them as further described in Note 20.

Fair value

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.

15. Financial assets and liabilities (continued)

Fair value (continued)

As of 31 December 2019, 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 184,521 (31 December 2018: RUB 183,939);
- bonds, principal amount, for which fair value is equal to RUB 18,368 (31 December 2018: 20,777);
- interest payable to related parties and interest payable on bonds for which fair value is equal to RUB 8,034 (31 December 2018: RUB 7,368);
- 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 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.

Fair value hierarchy

As of 31 December 2019 and 31 December 2018, 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 2019 and 31 December 2018, 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 2019 and 31 December 2018, 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 (loss) / gain /, net” in the consolidated income statement.

(All amounts in millions of Rubles unless otherwise stated)

15. Financial assets and liabilities (continued)

Reconciliation of cash flows from financing activities

	Bonds	Loans received from related parties	Lease liabilities	Unamortised fees	Other	Equipment financing and finance lease*	Total
As of 31 December 2018	**19,901**	**193,652**	–	**(656)**	**148**	**3,342**	**216,387**
- Principal amount	19,303	183,703	–	(656)	148	3,338	**205,836**
- Interest payable	598	9,949	–	–	–	4	**10,551**
Adjustments due to IFRS 16 adoption (Note 23)	–	–	90,986	–	(148)	(3,342)	**87,496**
As of 1 January 2019	**19,901**	**193,652**	**90,986**	**(656)**	–	–	**303,883**
Cash flows							
Repayment of loans and lease liabilities	–	(7,710)	(16,387)	–	–	–	**(24,097)**
Interest paid	(1,375)	(18,325)	(6,815)	–	–	–	**(26,515)**
Repayment associated with early debt redemption	–	(705)	–	–	–	–	**(705)**
	(1,375)	**(26,740)**	**(23,202)**	–	–	–	**(51,317)**
Non-cash movements							
Interest accrued	1,381	19,019	7,108	–	–	–	**27,508**
Lease - additions, disposals, modifications and other movements	–	–	13,076	–	–	–	**13,076**
Loss from early debt redemption	–	705	–	14	–	–	**719**
Foreign currency translation	(2,052)	(3,208)	(878)	–	–	–	**(6,138)**
Other non-cash movements	–	–	–	193	80	–	**273**
As of 31 December 2019	**17,855**	**183,428**	**87,090**	**(449)**	**80**	**–**	**288,004**
- Principal amount	17,321	173,978	86,817	(449)	77	–	**277,744**
- Interest payable	534	9,450	273	–	3	–	**10,260**

** Carrying values of equipment financing and finance leases liabilities as of 31 December 2018 were reclassified to lease liabilities on 1 January 2019 following IFRS 16 adoption (Note 23).*

	Bonds	Loans received from related parties	Equipment financing and finance lease	Unamortised fees	Other	Total
As of 31 December 2017	**33,241**	**196,139**	**3,567**	**(851)**	**492**	**232,588**
- Principal amount	32,357	188,437	3,546	(851)	492	**223,981**
- Interest payable	884	7,702	21	–	–	**8,607**
Cash flows						
Proceeds from borrowings	–	286	–	–	–	**286**
Repayment of borrowings	(10,308)	(17,129)	(336)	–	(455)	**(28,228)**
Interest paid	(2,167)	(18,485)	(351)	–	(127)	**(21,130)**
	(12,475)	**(35,328)**	**(687)**	–	**(582)**	**(49,072)**
Non-cash movements						
Interest accrued	2,175	18,868	462	–	–	**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.	–	1,272	–	–	–	**1,272**
Foreign currency translation	5,185	4,476	–	(10)	191	**9,842**
Other non-cash movements	–	–	–	205	47	**252**
As of 31 December 2018	**19,901**	**193,652**	**3,342**	**(656)**	**148**	**216,387**
- Principal amount	19,303	183,703	3,338	(656)	148	**205,836**
- Interest payable	598	9,949	4	–	–	**10,551**

(All amounts in millions of Rubles unless otherwise stated)

15. Financial assets and liabilities (continued)

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 2019	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 (current assets)	23,732	(98)	23,634
Trade and other payables (current liabilities)	77,167	(98)	77,069

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 (current assets)	23,116	(67)	23,049
Trade and other payables (current liabilities)*	71,347	(67)	71,414

** Certain comparative amounts do not correspond to the 2018 consolidated financial statements and reflect reclassification adjustments made to conform to the current period presentation (Note 22).*

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 2019, there was outstanding derivative (forward) in total amount 262 million USD with an execution rate of 64.565. As of 31 December 2018, there was outstanding derivative (forward) in total amount 300 million USD with an execution rate of 66.32125.

Accounting policies and source of estimation uncertainty

Fair value of financial instruments

All financial assets and liabilities are measured at amortized cost, except those which are measured at fair value as presented within this Note.

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)

15. Financial assets and liabilities (continued)

Accounting policies and source of estimation uncertainty (continued)

Measurement of lease liabilities

Lease liabilities are measured upon initial recognition at the present value of the future lease and related fixed services payments over the lease term, discounted at the company specific incremental borrowing rate adjusted for the country risk as the rate implicit in the lease is generally not available. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

A significant portion of the lease contracts included within Company’s lease portfolio includes lease contracts which are extendable through mutual agreement between the Company and the lessor, or lease contracts which are cancelable by the Company immediately or on short notice. The Company includes these cancelable future lease periods within the lease term, which increases the future lease payments used in determining the lease liability upon initial recognition. VimpelCom's determination of the lease term is based on facts and circumstances related to the underlying leased asset and lease contracts.

16. 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 2019 and 31 December 2018:

	31 December 2019	**31 December 2018**
Cash and cash equivalents at banks and on hand	**29,386**	28,470
Short–term deposits with an original maturity of less than three months	**2,112**	950
Total cash and cash equivalents	**31,498**	29,420

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.

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.

As of 31 December 2019 and 31 December 2018, there were no restricted cash and cash equivalent balances.

17. 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.

(All amounts in millions of Rubles unless otherwise stated)

17. Financial risk management (continued)

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 2019, approximately 87% of the Company’s borrowings are at a fixed rate of interest (31 December 2018: 88%).

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:

Interest rate sensitivity	+ Increase / - decrease in basis points	Effect on profit before tax / equity 2019	2018
US Dollar	+100	**292**	434
Euro	+100	**3**	8
Kazakh Tenge	+100	**7**	8
Uzbek Som	+100	**23**	58
Russian Ruble	+100	**(202)**	(234)
Other currencies	+100	**7**	5
US Dollar	-100	**(292)**	(434)
Euro	-100	**(3)**	(8)
Kazakh Tenge	-100	**(7)**	(8)
Uzbek Som	-100	**(23)**	(58)
Russian Ruble	-100	**202**	234
Other currencies	-100	**(7)**	(5)

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.

(All amounts in millions of Rubles unless otherwise stated)

17. Financial risk management (continued)

Foreign currency sensitivity (continued)

Currency	Change in foreign exchange rate against USD	Effect on profit / (loss) before tax 2019	Effect on profit / (loss) before tax 2018	Effect on other comprehensive income 2019	Effect on other comprehensive income 2018
Russian Ruble	10% depreciation	**(852)**	(640)	–	–
Kazakh Tenge	10% depreciation	**23**	69	–	–
Uzbek Sum	10% depreciation	**(227)**	(37)	–	–
Georgian Lari	10% depreciation	**(2,213)**	(2,365)	–	–
Armenian Dram	10% depreciation	**15**	(24)	–	–
Kyrgyzstani Som	10% depreciation	**50**	241	–	–
Other currencies	10% depreciation	**(1)**	–	–	–
Russian Ruble	10% appreciation	**777**	703	–	–
Kazakh Tenge	10% appreciation	**(25)**	(76)	–	–
Uzbek Sum	10% appreciation	**249**	40	–	–
Georgian Lari	10% appreciation	**2,434**	2,602	–	–
Armenian Dram	10% appreciation	**(16)**	26	–	–
Kyrgyzstani Som	10% appreciation	**(55)**	(265)	–	–
Other currencies	10% appreciation	**1**	–	–	–

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 2019 and 31 December 2018 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.

(All amounts in millions of Rubles unless otherwise stated)

17. Financial risk management (continued)

Credit risk (continued)

The Company’s maximum exposure to credit risk for the components of the consolidated statement of financial position as of 31 December 2019 and 31 December 2018 are the carrying amounts of financial instruments as illustrated in Note 15, 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 9.

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 2019, 12% (31 December 2018: 8%) of the Company’s debt will mature in less than one year based on the carrying value of bonds 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 20).

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 15 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 9.

	On demand / less than 1 year	**1-3 years**	**3-5 years**	**More than 5 years**	
As of 31 December 2019	**2020**	**2021-2022**	**2023-2024**	**> 2024**	**Total**
Bonds	2,384	16,848	–	–	**19,232**
Loans received from related parties	39,295	279,576	–	69,325	**388,196**
Lease liabilities	22,714	36,605	30,077	20,958	**110,354**
Trade and other payables	77,069	213	235	778	**78,295**
	141,462	**333,242**	**30,312**	**91,061**	**596,077**
Derivatives – financial liabilities					
- Gross cash inflows	(16,219)	–	–	–	**(16,219)**
- Gross cash outflows	16,916	–	–	–	**16,916**
	697	–	–	–	**697**
Total financial liabilities	**142,159**	**333,242**	**30,312**	**91,061**	**596,774**

(All amounts in millions of Rubles unless otherwise stated)

17. Financial risk management (continued)

Maturity profile (continued)

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 received 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*	71,414	–	–	–	**71,414**
	101,424	**119,711**	**98,818**	**41,178**	**361,131**
Derivatives - financial assets					
- Gross cash inflows	(20,841)	–	–	–	**(20,841)**
- Gross cash outflows	19,896	–	–	–	**19,896**
	(945)	–	–	–	**(945)**
Total financial liabilities	**100,479**	**119,711**	**98,818**	**41,178**	**360,186**

** Certain comparative amounts do not correspond to the 2018 consolidated financial statements and reflect reclassification adjustments made to conform to the current period presentation (Note 22).*

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.

18. Issued capital and reserves

Common shares

As of 31 December 2019 and 31 December 2018, 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 2019 and 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.

18. Issued capital and reserves (continued)

Convertible preference shares

As of 31 December 2019 and 31 December 2018, PJSC “VimpelCom” had issued and outstanding 6,426,600 Type A preferred shares. As of 31 December 2019 and 31 December 2018, 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.

19. Dividends

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)).

The portion of other dividends paid to the minority shareholders amounted to RUB 165 million (as of the date of dividends declared).

On 28 June 2019, in the Annual General Meeting of Shareholders of PJSC “VimpelCom” the decision was taken to pay annual dividends in the monetary form based on 2018 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 7,999.84; (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 2019, PJSC “VimpelCom” paid annual dividends to the shareholders based on 2018 financial year results in the amount of RUB 7,599.85, 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 399.99.

The rest portion of other dividends paid to the minority shareholders amounted to RUB 165 million (as of the date of dividends declared).

(All amounts in millions of Rubles unless otherwise stated)

Additional information

20. Related parties

As of 31 December 2019 and 31 December 2018, PJSC “VimpelCom” was a wholly-owned indirect subsidiary of VEON Ltd. As of 31 December 2019 and 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.

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	
	2019	**2018**
Revenue from VEON Ltd. and its subsidiaries:		
- Revenue from Teta Telecom and its subsidiaries	**923**	938
- Revenue from Kyivstar	**267**	781
- Revenue from VEON Ltd. and its other subsidiaries	**1,309**	1,709
Revenue from joint ventures	**–**	17
Revenue from other related parties	**60**	144
	2,559	3,589
Services from VEON Ltd. and its subsidiaries:		
- Services from Teta Telecom and its subsidiaries	**3,375**	3,731
- Services from Kyivstar	**458**	1,658
- Services from VEON Ltd. and its other subsidiaries	**8,305**	10,152
Services from joint ventures	**–**	239
Services from other related parties	**19**	74
	12,157	15,854
Finance income from VEON Ltd. and its subsidiaries	**2,781**	3,141
Finance costs from VEON Ltd. and its subsidiaries	**19,199**	19,375
Other loss from VEON Ltd. and its subsidiaries, net	**22**	331

	As of 31 December 2019	As of 31 December 2018
Accounts receivable from VEON Ltd. and its subsidiaries:		
- Accounts receivable from Teta Telecom and its subsidiaries	**111**	38
- Accounts receivable from Kyivstar	**321**	341
- Accounts receivable from VEON Ltd. and its other subsidiaries	**441**	507
Accounts receivable from other related parties	**1**	1
	874	887
Accounts payable to VEON Ltd. and its subsidiaries:		
- Accounts payable to Teta Telecom and its subsidiaries	**260**	443
- Accounts payable to Kyivstar	**228**	304
- Accounts payable to VEON Ltd. and its other subsidiaries	**15,476**	14,859
Accounts payable to other related parties	**2**	3
	15,966	15,609
Loans granted to VEON Ltd. and its subsidiaries	**51,659**	55,453
Interest receivable from VEON Ltd. and its subsidiaries	**291**	222
Loans received from VEON Ltd. and its subsidiaries	**173,978**	183,703
Interest payable to VEON Ltd. and its subsidiaries	**9,450**	9,947
Unamortised fees related to loans received from VEON Ltd. and its subsidiaries	**(429)**	(610)

(All amounts in millions of Rubles unless otherwise stated)

20. Related parties (continued)

Loans granted to VEON Ltd. and its subsidiaries

As of 31 December 2019 and 31 December 2018, 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 2019	31 December 2018
PJSC “VimpelCom” [1]	VEON Holdings B.V.	13 Dec. 2017	< 3 months	8.0%	RUB / USD	**39,330**	25,580
Golden Telecom Inc.[2]	VEON Holdings B.V.	31 Jan. 2018	On demand	LIBOR+0.70%	USD	**8,552**	9,903
VEON Armenia, CJSC[3]	VEON Holdings B.V.	7 Aug. 2017	On demand	LIBOR+0.80%	USD	**2,456**	15,680
KaR-Tel, LLP	TNS-Plus	2007-2011	2020–2021	9.46%	KZT	**668**	743
Clafdor Investments Ltd.	VEON Holdings B.V.	4 Sep. 2018	On demand	LIBOR+0.60%	USD	**619**	695
VEON Eurasia S.à r.l.[4]	VEON Holdings B.V.	31 Mar. 2017	On demand	LIBOR+0.65%	USD	**34**	2,380
VEON Eurasia S.à r.l.[5]	VEON Holdings B.V.	12 Nov. 2018	Nov., 2019	LIBOR+1.05%	USD	**–**	472
Total						**51,659**	55,453

[1] For the year ended 31 December 2019, PJSC “VimpelCom” provided VEON Holdings B.V. with the equivalent of RUB 73,004 (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 59,453 (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 2019 was RUB 199 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia). In the first quarter of 2020, PJSC “VimpelCom” provided VEON Holdings B.V. with the equivalent of RUB 13,875 (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 5,186 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia);

[2] For the year ended 31 December 2019, VEON Holdings B.V. repaid to Golden Telecom Inc. USD 10 million (the equivalent of RUB 668 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 2019 was USD 6 million (the equivalent of RUB 389 as of the date of each transaction at the exchange rate provided by the Central Bank of Russia);

[3] For the year ended 31 December 2019, VEON Holdings B.V. repaid to VEON Armenia, CJSC USD 193 million (the equivalent of RUB 12,363 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 2019 was USD 6.9 million;

[4] For the year ended 31 December 2019, the net changes in loans amounted to USD (33.7) million (the equivalent of RUB (1,972) as of the date of each transaction at the exchange rates provided by the Central Bank of Russia), including an increase in the current account with VEON Holdings B.V. for USD 71.6 million (the equivalent of RUB 4,733 as of the date of each transaction at the exchange rates provided by the Central Bank of Russia), a decrease in the current account with VEON Holdings B.V. for USD 107.7 million (the equivalent of RUB 6,860 as of the date of each transaction at the exchange rates provided by the Central Bank of Russia) and interest capitalized for USD 2.4 million (the equivalent of RUB 155 as of the date of each transaction at the exchange rates provided by the Central Bank of Russia);

[5] In 2019, the loan was fully repaid, cash (principal amount and accrued interest) in the amount of USD 7.1 million (the equivalent of RUB 451 as of the date of each transaction at the exchange rates provided by the Central Bank of Russia) was placed in the current account with VEON Holdings B.V.[4].

Loans received from VEON Ltd. and its subsidiaries

As of 31 December 2019 and 31 December 2018, 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 2019	31 December 2018
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	**14,114**	15,833
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.	VEON Georgia, LLC	9 Jan. 2018	Dec., 2020	6.50%	USD	**310**	347
VEON Holdings B.V.[1]	PJSC “VimpelCom”	14 Dec. 2018	Jan., 2019	7.748%	USD	**–**	7 969
Total						**173,978**	183,703

[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 15);

20. Related parties (continued)

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 in 2019 amounted to RUB 1,200 (2018: RUB 1,062). The amount of remuneration paid to key management personnel of the Company in 2019 amounted to RUB 976 (2018: RUB 678). The amount of social insurance contributions related to remuneration paid to key management personnel of the Company amounted to RUB 100 (2018: RUB 66). 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 2019 are disclosed in Note 9.

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 2018, the impairment assessment of loans granted to related parties and receivables from related parties was undertaken 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.

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 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 immaterial from the Company’s perspective and was therefore not recognized as of 31 December 2019.

(All amounts in millions of Rubles unless otherwise stated)

21. Events after the reporting period

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.

Significant changes in financial assets and liabilities after the reporting period also related to movements in loans granted to related parties and loans received from related parties (Note 20).

COVID-19

We are seeing firsthand how the COVID-19 pandemic is affecting individuals, families, businesses and industries. Our first priority is the health and safety of our employees, our customers and everyone in our operating countries. We will continue to work to deliver the services that our employees and customers need. The Company is in the process of assessing the impact of the COVID-19 which may have an impact on the Group’s operations. The situation is fluid and as it evolves we stand ready to do whatever it takes to ensure vital infrastructure and connectivity is maintained. Management is taking necessary measures to ensure sustainability of the Group’s operations.

22. 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.

Certain comparative amounts do not correspond to the 2018 consolidated financial statements and reflect reclassification adjustments made to conform to the current period presentation. Specifically, the following comparative balances as of 31 December 2018 were reclassified in the consolidated statement of financial position as of 31 December 2019:

- Goodwill as of 31 December 2018 of RUB 97,729 (as of 31 December 2017 of RUB 100,814) is now presented within “Intangible assets” (previously within “Goodwill”);
- Income tax provision as of 31 December 2018 of RUB 3,047 (as of 31 December 2017 of RUB 3,051) is now presented within “Current income tax payable” (previously within “Provisions”);
- Certain customer advances as of 31 December 2018 of RUB 7,222 (as of 31 December 2017 of RUB 7,850) and customer deposits as of 31 December 2018 of RUB 784 (as of 31 December 2017 of RUB 1,340) which are financial liability are now presented within “Trade and other payables” (previously within “Other current liabilities”).

Basis of consolidation

The consolidated financial statements comprise the financial statements of PJSC “VimpelCom” and its subsidiaries. Subsidiaries are all 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.

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.

(All amounts in millions of Rubles unless otherwise stated)

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

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.

The following table shows the exchange rates of currencies against the US dollar as of 31 December 2019 and 31 December 2018:

Currency (for 1 USD)	**31 December 2019**	**31 December 2019**
Russian Ruble	61.9057	69.4706
Kazakh Tenge	381.18	384.20
Uzbek Sum	9,516.37	8,325.59
Georgian Lari	2.8677	2.6766
Armenian Dram	479.70	483.75
Kyrgyzstani Som	69.6439	69.8500

(All amounts in millions of Rubles unless otherwise stated)

23. 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.

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:
Uncertain tax positions (significant accounting judgement)	Note 10
Impairment of non-current assets (significant accounting estimate)	Note 11

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on VimpelCom consolidated financial statements in current or future reporting periods or on foreseeable future transactions.

New standards, interpretations and amendments 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 was not material to the consolidated financial statements of the Group upon adoption in 2019.

IFRS 16 “Leases”

IFRS 16 “Leases” (“IFRS 16”) replaces the IAS 17 “Leases”, the former lease accounting standard and became effective on 1 January 2019. Under the new lease standard assets leased by the Company are being recognized on the statement of financial position of the Company with a corresponding liability.

(All amounts in millions of Rubles unless otherwise stated)

23. Significant accounting policies (continued)

New standards, interpretations and amendments adopted by the Group (continued)

IFRS 16 “Leases” (continued)

In 2018, the Group performed a detailed impact assessment of IFRS 16 and the impact of IFRS 16 adoption was as follows:

	31 December 2018*	Impact of IFRS 16	1 January 2019
Assets			
Non-current assets			
- Property and equipment	193,895	(4,777)	**189,118**
- Right-of-use assets	–	92,408	**92,408**
Property and equipment	193,895	87,631	**281,526**
Intangible assets	28,557	(1,038)	**27,519**
Goodwill	97,729	–	**97,729**
Deferred tax assets	1,824	52	**1,876**
Other non-current financial assets	1,148	–	**1,148**
Other non-current assets	1,126	–	**1,126**
Total non-current assets	324,279	86,645	**410,924**
Current assets			
Trade and other receivables	23,049	–	**23,049**
Other current assets	110,348	(1,316)	**109,032**
Total current assets	133,397	(1,316)	**132,081**
Assets classified as held for sale	23	–	**23**
Total assets	457,699	85,329	**543,028**
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			
Other non-current financial liabilities	206,160	(3,004)	**203,156**
Provisions	2,978	–	**2,978**
Lease liabilities	–	83,253	**83,253**
Deferred tax liabilities	7,981	4	**7,985**
Other non-current liabilities	653	–	**653**
Total non-current liabilities	217,772	80,253	**298,025**
Current liabilities			
Trade and other payables	71,414	(1,800)	**69,614**
Other current financial liabilities	10,228	(486)	**9,742**
Lease liabilities	–	7,733	**7,733**
Current income tax payables	3,611	–	**3,611**
Provisions	830	(154)	**676**
Other current liabilities	17,028	–	**17,028**
Total current liabilities	103,111	5,293	**108,404**
Total equity and liabilities	457,699	85,329	**543,028**

** Certain comparative amounts do not correspond to the 2018 consolidated financial statements and reflect reclassification adjustments made to conform to the current period presentation (Note 22).*

The Company, as a lessee, recognizes 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 asset is 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.

23. Significant accounting policies (continued)

New standards, interpretations and amendments adopted by the Group (continued)

IFRS 16 “Leases” (continued)

The lease liability was measured upon initial recognition at the present value of the future lease and related fixed services payments over the lease term, discounted at the company specific incremental borrowing rate adjusted for the country risk. 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 of non-core assets and not related to the main operating activities of the Group, which are short term in nature (less than 12 months including extension options) and leases of low-value items are expensed in the Income Statement as incurred.

Transition

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

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

- IFRS 16 applied 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”);
- a single discount rate applied to a portfolio of leases with reasonably similar characteristics as permitted by IFRS 16;
- initial direct cost was excluded from the measurement of the right-of-use asset as of 1 January 2019;
- the Group’s onerous contract provision process used as the impairment assessment of right-of-use assets upon transition.

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

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

Carrying value of right-of-use related to Euroset’s retail stores as of 31 December 2018 was reclassified to right-of-use assets on 1 January 2019.

(All amounts in millions of Rubles unless otherwise stated)

23. Significant accounting policies (continued)

New standards, interpretations and amendments adopted by the Group (continued)

IFRS 16 “Leases” (continued)

Significant judgements upon adoption IFRS 16

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 recognized upon initial application of IFRS 16 on 1 January 2019:

	Amount
Operating lease commitments as of 31 December 2018	7,208
Increase in lease commitments of cancelable leases included in reasonably certain lease term	105,457
Use of IFRS 16 practical expedients	(4)
Leases commencing subsequent to transition date committed to as of 31 December 2018*	(3,255)
Accruals included in the lease liability calculation	1,554
Other	(157)
Total undiscounted lease payments which are reasonably certain	**110,803**
Discounting effect using incremental borrowing rate	(23,474)
IAS 17 finance lease liabilities recognized on balance sheet as of 31 December 2018	3,657
IFRS 16 Lease liability recognized on balance sheet as of 1 January 2019	**90,986**
- Non-current	83,253
- Current	7,733

** For additions of right-of-use assets during the year ended 31 December 2019 commencing subsequent to transition date committed to as of 31 December 2018 please refer to Note 12. Except for short*