

Unaudited interim condensed
consolidated financial statements

Public Joint Stock Company
“Vimpel-Communications”

as of 31 March 2022 and
for the three months ended 31 March 2022

Public Joint Stock Company “Vimpel-Communications”

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Public Joint Stock Company “Vimpel-Communications”

Interim consolidated income statement
for the three months ended 31 March 2022
(All amounts in millions of Rubles)

		Three months ended 31 March	
		2022	2021 ¹
Note		(unaudited)	(unaudited)
Continuing operations			
	Service revenue	74,424	69,957
	Sale of equipment and accessories	8,737	7,422
	Other revenue	445	367
	Total operating revenue	83,606	77,746
	Other operating income	149	27
	Service costs	(19,112)	(18,807)
	Cost of equipment and accessories	(8,117)	(7,117)
	Selling, general and administrative expenses		
	(including impairment loss on financial assets)	3 (24,174)	(21,974)
	Depreciation	10 (21,108)	(18,387)
	Amortization	11 (3,344)	(2,467)
	Impairment loss	4 (37,924)	(83)
	Gain / (loss) on disposal, reassessment and modification of non-current assets	305	(327)
	Operating (loss) / profit	(29,719)	8,611
	Finance costs	(6,473)	(5,535)
	Finance income	427	464
	Foreign exchange (loss) / gain, net	(777)	516
	Other non-operating gain / (loss), net	5 202	(31)
	(Loss) / profit before income tax from continuing operations	(36,340)	4,025
	Income tax expense	6 (134)	(1,766)
	(Loss) / profit for the period from continuing operations	(36,474)	2,259
	Profit after tax for the period from discontinued operations	-	902
	(Loss) / profit for the period	(36,474)	3,161
(Loss) / profit for the period attributable to:			
	The owners of the Company, continuing operations	(37,019)	1,115
	The owners of the Company, discontinued operations	-	902
	Non-controlling interests	545	1,144
		(36,474)	3,161

¹ Prior year comparatives are re-presented following the classification of Uzbekistan as discontinued operations.

Public Joint Stock Company “Vimpel-Communications”

Interim consolidated statement of comprehensive income
for the three months ended 31 March 2022

(All amounts in millions of Rubles)

	Three months ended 31 March	
	2022 (unaudited)	2021 ¹ (unaudited)
(Loss) / profit for the period	(36,474)	3,161
Other comprehensive income / (loss)		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation reserve arising on exchange differences on translation of foreign operations of continuing operations	2,065	661
Foreign currency translation reserve arising on exchange differences on translation of foreign operations of discontinued operations	–	200
Other comprehensive income / (loss) for the period	2,065	861
Total comprehensive income / (loss) for the period	(34,409)	4,022
Total comprehensive income / (loss) for the period attributable to:		
The owners of the Company	(35,480)	3,132
Non-controlling interests	1,071	890
	(34,409)	4,022
Total comprehensive income for the period attributable to the owners of the Company arises from:		
Continuing operations	(35,480)	2,230
Discontinued operations	–	902
	(35,480)	3,132

¹ Prior year comparatives are re-presented following the classification of Uzbekistan as discontinued operations.

Public Joint Stock Company “Vimpel-Communications”

Interim consolidated statement of financial position
as of 31 March 2022

(All amounts in millions of Rubles)

	Note	31 March 2022 (unaudited)	31 December 2021
Assets			
Non-current assets			
Property and equipment	10	361,174	362,775
Intangible assets	11	73,607	111,161
Deferred income tax assets		1,376	1,195
Loans and other financial assets	13,15	31,329	28,224
Other non-current assets	8	2,158	2,176
Total non-current assets		469,644	505,531
Current assets			
Inventories	7	7,024	7,708
Trade and other receivables		22,878	24,531
Other current assets	8	10,510	11,756
Current income tax assets		1,305	1,169
Loans and other financial assets	13,15	12,663	10,776
Cash and cash equivalents	14	11,040	10,313
		65,420	66,253
Assets classified as held for sale	9	1,228	1,375
Total current assets		66,648	67,628
Total assets		536,292	573,159
Equity and liabilities			
Equity			
Equity attributable to equity owners of the Company		96,163	129,713
Non-controlling interests		9,963	8,362
Total equity		106,126	138,075
Non-current liabilities			
Trade and other payables		1,548	1,452
Debt and other financial liabilities	13,15	299,843	298,143
Provisions		1,779	2,514
Deferred income tax liabilities		4,898	5,034
Other non-current liabilities	8	1,260	1,130
Total non-current liabilities		309,328	308,273
Current liabilities			
Trade and other payables		70,500	79,993
Debt and other financial liabilities	13,15	33,050	28,455
Provisions		952	1,261
Current income tax payables		1,005	1,429
Other current liabilities	8	15,331	15,673
Total current liabilities		120,838	126,811
Total equity and liabilities		536,292	573,159

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

Public Joint Stock Company “Vimpel-Communications”

Interim consolidated statement of changes in equity
for the three months ended 31 March 2022

(All amounts in millions of Rubles)

	Attributable to the owners of the Company						Non-controlling interests	Total equity
	Issued capital	Capital surplus	Other capital reserves	Retained earnings	Foreign currency translation reserve	Total		
As of 31 December 2021	3	40,234	(18,384)	122,663	(14,803)	129,713	8,362	138,075
(Loss) / profit for the period	–	–	–	(37,019)	–	(37,019)	545	(36,474)
Other comprehensive income / (loss)	–	–	–	–	1,539	1,539	526	2,065
Total comprehensive income / (loss)	–	–	–	(37,019)	1,539	(35,480)	1,071	(34,409)
Sale of non-controlling interests without a change of control	–	–	69	–	–	69	9	78
Transactions under common control (operations related to tower assets, assets held for sale)	9	–	(243)	–	–	(243)	–	(243)
Transactions under common control (operations related to tower assets, goodwill)	11	–	176	–	–	176	–	176
Transactions under common control (disposal of Kyrgyzstan operations)	12	–	1,893	–	35	1,928	521	2,449
As of 31 March 2022 (unaudited)	3	40,234	(16,489)	85,644	(13,229)	96,163	9,963	106,126

Interim consolidated statement of changes in equity
for the three months ended 31 March 2021

(All amounts in millions of Rubles)

	Attributable to the owners of the Company					Non-controlling interests	Total equity	
	Issued capital	Capital surplus	Other capital reserves	Retained earnings	Foreign currency translation reserve			
As of 31 December 2020	3	40,234	31,985	112,568	(65,708)	119,082	38,235	157,317
Profit for the period	–	–	–	2,017	–	2,017	1,144	3,161
Other comprehensive income / (loss)	–	–	–	–	1,115	1,115	(254)	861
Total comprehensive income / (loss)	–	–	–	2,017	1,115	3,132	890	4,022
Transactions under common control (purchase of non-controlling interests without a change of control)	–	–	31,027	–	–	31,027	(31,027)	–
As of 31 March 2021 (unaudited)	3	40,234	63,012	114,585	(64,593)	153,241	8,098	161,339

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

Public Joint Stock Company “Vimpel-Communications”

Interim consolidated statement of cash flows
for the three months ended 31 March 2022

(All amounts in millions of Rubles)

	Note	Three months ended	
		31 March	
		2022	2021 ¹
Operating activities			
(Loss) / profit for the period from continuing operations		(36,474)	2,259
Income tax expense		134	1,766
(Loss) / profit before income tax from continuing operations		(36,340)	4,025
Non-cash adjustments to reconcile profit before tax to net cash flows from operating activities:			
Depreciation	10	21,108	18,387
Impairment loss	4	37,924	83
Amortization	11	3,344	2,467
(Gain) / loss on disposal, reassessment and modification of non-current assets		(305)	327
Finance income		(427)	(464)
Finance costs		6,473	5,535
Other non-operating (gain) / loss, net	5	(202)	31
Foreign exchange loss / (gain), net		777	(513)
Changes in provisions and other movements		693	545
Change in operating assets and liabilities:			
Decrease / (increase) in trade and other receivables		877	(1,325)
Decrease / (increase) in inventories		562	77
(Decrease) / increase in trade and other payables		(3,684)	(7,062)
Operating cash flows before interest and income tax:		30,800	22,113
Interest and income tax:			
Interest paid		(3,469)	(5,457)
Interest received		1,165	211
Income tax paid		(907)	(916)
Net cash flows from operating activities of continuing operations		27,589	15,951
Net cash flows from operating activities of discontinued operations		–	1,457
Net cash flows from operating activities		27,589	17,408
Investing activities			
Purchase of property, equipment and intangible assets		(24,788)	(22,708)
Proceeds from sale of property, equipment and intangible assets		110	58
Loans issued	13,15	(833)	–
Repayment of loans issued		–	2,757
Inflows from investments in other financial assets		283	15
Inflows from deposits		39	50
Outflows from deposits		(27)	–
Acquisition of subsidiaries net of cash acquired		(90)	(27)
Disposal of subsidiaries net of cash received		622	–
Net cash flows used in investing activities of continuing operations		(24,684)	(19,855)
Net cash flows used in investing activities of discontinued operations (including cash disposed)		–	(444)
Net cash flows used in investing activities		(24,684)	(20,299)
Financing activities			
Proceeds from borrowings, net of fees paid	15	32,797	27,922
Repayment of borrowings and bonds	15	(30,408)	(19,960)
Repayment of lease liabilities		(5,028)	(3,319)
Proceeds from sale of non-controlling interest		78	–
Net cash flows (used in) / from financing activities of continuing operations		(2,561)	4,643
Net cash flows used in financing activities of discontinued operations		–	(60)
Net cash flows (used in) / from financing activities		(2,561)	4,583
Net change in cash and cash equivalents		344	1,692
Effect of exchange rate changes on cash and cash equivalents of continuing operations, net		383	526
Effect of exchange rate changes on cash and cash equivalents of discontinued operations, net		–	73
Cash and cash equivalents at the beginning of the period		10,313	12,302
Cash and cash equivalents at the end of the period		11,040	14,593

¹ Prior year comparatives are re-presented following the classification of Uzbekistan as discontinued operations.

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

Public Joint Stock Company “Vimpel-Communications”

Notes to the unaudited interim condensed consolidated financial statements as of 31 March 2022 and for the three months ended 31 March 2022

(All amounts in millions of Rubles unless otherwise stated)

1. General information

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

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

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

VimpelCom generates revenue from the provision of voice, data and other telecommunication services through a range of mobile and fixed-line technologies, as well as selling equipment and accessories. As of 31 March 2022, the Company operated telecommunications services in Russia and Kazakhstan primarily under the “Beeline” brand name.

In the first quarter of 2022, VimpelCom recorded impairment loss in respect of its operations in Russia of RUB 37,906 (Note 4).

Changes of exchange rates in the countries in which VimpelCom operates as well as changes in the structure of the Group that occurred in 2022 and 2021 resulted in changes in the foreign exchange (loss) / gain, net recognized in the consolidated income statement for the three months ended 31 March 2022 and 31 March 2021 and changes in the foreign currency translation reserves recognized in the consolidated statement of comprehensive income and statement of changes in equity for the three months ended 31 March 2022 and 31 March 2021.

The interim condensed consolidated financial statements of the Company as of 31 March 2022 and for the three months ended 31 March 2022 were authorized for issue by the General Director of PJSC “VimpelCom” on 28 June 2022.

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”). EBITDA is a non-IFRS performance measure. Management is responsible for defining and establishing this measure, and the method of its calculation may vary from other entities’ calculation of similar measures or the Group’s use of the terms that comprise this measure may vary from similarly titled terms used by others. Management does not analyze, assets and liabilities by reportable segments.

Public Joint Stock Company “Vimpel-Communications”

Notes to the unaudited interim condensed consolidated financial statements as of 31 March 2022 and for the three months ended 31 March 2022

(All amounts in millions of Rubles unless otherwise stated)

2. Segment information (continued)

The Company’s reportable segments include “Russia” and “Kazakhstan”. From 21 September 2021, “Uzbekistan” is no longer a reportable segment subsequent to its classification as discontinued operations, the comparative information has been adjusted accordingly. The “Other operating companies” column in the tables below includes our operations in Kyrgyzstan up to the date of disposal on 10 March 2022 (Note 12). The “Eliminations and other” column in the tables below includes inter-company eliminations, holding companies and other unallocated adjustments. Inter-segment transactions between operating segments are made on terms which are comparable to transactions with third parties.

Financial information by reportable segment for the three months ended 31 March 2022 and 31 March 2021 is presented in the following tables.

Information by reportable segments for the three months ended 31 March 2022

	Russia	Kazakhstan	Other operating companies	Eliminations and other	Group, continuing operations	Uzbekistan, discontinued operations	Total
Revenue							
Service revenue	63,122	10,733	556	13	74,424	–	74,424
including:							
- Mobile	52,579	10,730	540	18	63,867	–	63,867
- Fixed	10,543	3	16	(5)	10,557	–	10,557
Sale of equipment and accessories	8,411	326	–	–	8,737	–	8,737
Other revenue	263	185	2	(5)	445	–	445
Total operating revenue	71,796	11,244	558	8	83,606	–	83,606
- External customers	71,792	11,239	553	22	83,606	–	83,606
- Inter-segment	4	5	5	(14)	–	–	–
EBITDA	27,469	4,817	166	(100)	32,352	–	32,352
Capital expenditures*	16,623	1,620	65	–	18,308	–	18,308
Impairment (loss) / reversal of impairment loss (Note 4)	(37,906)	(58)	40	–	(37,924)	–	(37,924)

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

Information by reportable segments for the three months ended 31 March 2021

	Russia	Kazakhstan	Other operating companies	Eliminations and other	Group, continuing operations	Uzbekistan, discontinued operations	Total
Revenue							
Service revenue	60,625	8,593	755	(16)	69,957	3,327	73,284
including:							
- Mobile	50,855	7,858	732	(2)	59,443	3,327	62,770
- Fixed	9,770	735	23	(14)	10,514	–	10,514
Sale of equipment and accessories	7,178	244	–	–	7,422	–	7,422
Other revenue	320	41	5	1	367	1	368
Total operating revenue	68,123	8,878	760	(15)	77,746	3,328	81,074
- External customers	68,104	8,876	748	23	77,751	3,323	81,074
- Inter-segment	19	2	12	(38)	(5)	5	–
EBITDA	25,528	4,216	190	(59)	29,875	1,662	31,537
Capital expenditures*	15,082	1,447	109	–	16,638	666	17,304
Impairment (loss) / reversal of impairment loss (Note 4)	(92)	17	(8)	–	(83)	–	(83)

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

Public Joint Stock Company “Vimpel-Communications”

Notes to the unaudited interim condensed consolidated financial statements as of 31 March 2022 and for the three months ended 31 March 2022

(All amounts in millions of Rubles unless otherwise stated)

2. Segment information (continued)

The following table provides the reconciliation of consolidated EBITDA to consolidated profit from continuing operations for the three months ended 31 March 2022 and 31 March 2021:

	Three months ended 31 March	
	2022	2021
EBITDA	32,352	29,875
Depreciation	(21,108)	(18,387)
Amortization	(3,344)	(2,467)
Impairment loss	(37,924)	(83)
Gain / (loss) on disposal, reassessment and modification of non-current assets	305	(327)
Finance costs	(6,473)	(5,535)
Finance income	427	464
Other non-operating gain / (loss), net	202	(31)
Net foreign exchange (loss) / gain, net	(777)	516
Income tax expense	(134)	(1,766)
(Loss) / profit for the period from continuing operations	(36,474)	2,259

The following table provides the reconciliation of consolidated EBITDA to consolidated profit from discontinuing operations for the three months ended 31 March 2022 and 31 March 2021:

	Three months ended 31 March	
	2022	2021
EBITDA	-	1,662
Depreciation	-	(520)
Amortization	-	(47)
Loss on disposal of non-current assets	-	(49)
Finance costs	-	(58)
Finance income	-	5
Other non-operating gain, net	-	224
Net foreign exchange loss, net	-	(10)
Income tax expense	-	(305)
Profit for the period from discontinuing operations	-	902

3. Selling, general and administrative expenses

Selling, general and administrative expenses from continuing operations for the three months ended 31 March 2022 and 31 March 2021 consisted of the following:

	Three months ended 31 March	
	2022	2021
Personnel costs	10,483	8,709
Network and IT costs	5,891	5,386
Customer associated costs	4,263	4,285
Taxes other than income tax	1,149	960
Losses on receivables	660	62
Consulting and professional service costs	397	394
Services costs and variable part of the other lease payments	90	1,039
Other general and administrative expenses	1,241	1,139
Total	24,174	21,974

Public Joint Stock Company “Vimpel-Communications”

Notes to the unaudited interim condensed consolidated financial statements as of 31 March 2022 and for the three months ended 31 March 2022

(All amounts in millions of Rubles unless otherwise stated)

4. Impairment loss

Impairment loss / (reversal of impairment loss) for the three-month period ended 31 March 2022 and 31 March 2021 consisted of the following items:

CGU's	Three months ended 31 March 2022					Three months ended 31 March 2021			
	Property and equipment	Other intangible assets	Goodwill	Other assets	Assets held-for-sale (goodwill) (Note 9)	Total impairment loss	Property and equipment	Other intangible assets	Total impairment loss
Russia	(214)	–	(37,415)	–	(277)	(37,906)	(92)	–	(92)
Kazakhstan	(58)	–	–	–	–	(58)	17	–	17
Kyrgyzstan	96	(2)	–	(54)	–	40	8	(16)	(8)
Total	(176)	(2)	(37,415)	(54)	(277)	(37,924)	(67)	(16)	(83)

Impairment analysis

Property and equipment and intangible assets are tested regularly for impairment. The Company assesses, at the end of each reporting period, whether there exist 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 September 30) or when circumstances indicate the carrying value may be impaired. Refer to Note 11 for an overview of the carrying value of goodwill per cash-generating unit (“CGU”). The Company’s impairment test is primarily based on fair value less cost of disposal calculations (Level 3 in the fair value hierarchy) using a discounted cash flow model, based on cash flow projections from business plans prepared by management. The Company considers the relationship between the market capitalization of VEON Ltd. and its book value, as well as weighted average cost of capital and the quarterly financial performances of each CGU when reviewing for indicators of impairment in interim periods.

VimpelCom performed its annual impairment testing at 30 September 2021. For further details regarding calculations and assumptions used for impairment testing, refer to the Group’s audited annual consolidated financial statements as of 31 December 2021 and for the year ended 31 December 2021.

Impairment loss in 2022

The current geopolitical situation (refer to Note 16) has impacted our operations in Russia, resulting in an impairment of RUB 37,692 (including RUB 277 of goodwill within assets held for sale (Note 9)) against the carrying value of goodwill in Russia in the first quarter of 2022. The recoverable amount of the CGU Russia was determined based on fair value less costs of disposal calculations (Level 3 in the fair value hierarchy) using a discounted cash flow model, based on cash flow projections from business plans prepared by management.

Key assumptions – Russia CGU

Key assumptions – Russia CGU	31 March 2022			30 September 2021		
	Explicit forecast period	Terminal period	Combined average*	Explicit forecast period	Terminal period	Combined average*
Discount rate	–	–	20.5%	–	–	9.3%
Average annual revenue growth rate	4.1%	1.6%	3.7%	5.0%	1.6%	4.4%
Average operating margin	32.4%	35.0%	32.8%	33.2%	35.5%	33.6%
Average CAPEX / revenue**	20.3%	18.0%	19.9%	25.4%	21.0%	24.7%

* Combined average based on explicit forecast period of six years (2022-2027, five years (2022-2026) for comparative and terminal period (2028 / 2027);

** CAPEX excludes licenses and right-of-use assets (IFRS 16 “Leases”).

Public Joint Stock Company “Vimpel-Communications”

Notes to the unaudited interim condensed consolidated financial statements
as of 31 March 2022 and for the three months ended 31 March 2022

(All amounts in millions of Rubles unless otherwise stated)

4. Impairment loss (continued)

Sensitivity analysis

The following table illustrates the potential additional impairment for the Russia CGU and the potential impairment if certain key parameters would adversely change by one percentage point within both the explicit forecast and terminal periods (“+/- 1.0 pp”), as well as the change in key assumptions required in order for the recoverable amount of the CGU to be equal to its book value (“Break-even”).

Any additional adverse changes in the key parameters by more than one percentage point would increase the amount of impairment exposure approximately proportionally.

Sensitivity analysis	Combined average*	+/- 1.0 pp
Discount rate	20.5%	21.6%
Change in key assumption	0.0 pp	1.0 pp
(Impairment)	–	(9,670)
Average annual revenue growth rate	3.7%	2.7%
Change in key assumption	0.0 pp	(1.0) pp
(Impairment)	–	(7,399)
Average operating margin	32.8%	31.8%
Change in key assumption	0.0 pp	(1.0) pp
(Impairment)	–	(13,201)
Average CAPEX / revenue	19.9%	20.9%
Change in key assumption	0.0 pp	1.0 pp
(Impairment)	–	(13,538)

* Combined average based on explicit forecast period of six years (2022-2027) and terminal period (2028), includes intervening period of 2022. Following the recognition of an impairment loss in the first quarter of 2022, the book value of the Russia CGU is equal to its recoverable amount. As such, the “break-even” assumptions for the Russia CGU are equivalent to the “Combined average” assumptions.

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

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

Other non-operating gain / (loss), net from continuing operations for the three months ended 31 March 2022 and 31 March 2021 consisted of the following:

	Three months ended 31 March	
	2022	2021
Other loss, net	(77)	(31)
Changes in the fair value of non-hedge derivatives	279	–
Total other non-operating gain / (loss), net	202	(31)

Public Joint Stock Company “Vimpel-Communications”

Notes to the unaudited interim condensed consolidated financial statements as of 31 March 2022 and for the three months ended 31 March 2022

(All amounts in millions of Rubles unless otherwise stated)

6. Income taxes

Income tax expense is the total of the current and deferred income taxes. Current income tax is the expected income tax expense, payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years. Deferred income tax is the tax asset or liability resulting from a difference in income recognition between enacted or substantively enacted local tax law and group IFRS accounting.

Income tax expense from continuing operations consisted of the following for the three months ended 31 March 2022 and 31 March 2021:

	Three months ended 31 March	
	2022	2021
(Loss) / profit before tax	(36,340)	4,025
Current income tax	(368)	(1,861)
Deferred income tax	234	95
Income tax expense from continuing operations reported in the interim consolidated income statement	(134)	(1,766)
Effective tax rates	0%	44%

The difference between the statutory tax rate of 20.0% in Russia and the effective corporate income tax rate of 0% for the Group in the three-month period ending 31 March 2022 was primarily driven by impairment of goodwill and assets held for sale (goodwill) in the total amount of RUB 37,692 and changes in provisions for uncertain income tax positions in the amount of RUB 409 accrued in Russia net off non-deductible income tax expenses.

The difference between the statutory tax rate of 20.0% in Russia and the effective corporate income tax rate of 44% for the Group in the three-month period ending 31 March 2021 was primarily driven by changes in provisions for uncertain income tax positions in the amount of RUB 1,322 which mostly related to Russia and Kyrgyzstan net of changes in deferred tax of RUB (327) accrued in Kazakhstan and RUB 260 accrued in Russia.

Income tax expense from discontinuing operations consisted of the following for the three months ended 31 March 2022 and 31 March 2021:

	Three months ended 31 March	
	2022	2021
Profit before tax	-	1,207
Current income tax	-	(360)
Deferred income tax	-	55
Income tax expense from discontinuing operations	-	(305)
Effective tax rates	-	25%

7. Inventories

Inventories consisted of the following items as of 31 March 2022 and 31 December 2021:

	31 March	31 December
	2022	2021
Telephone handsets and accessories for sale	7,574	8,113
SIM-Cards	317	403
Other inventories	225	130
Obsolescence allowance	(1,092)	(938)
Total	7,024	7,708

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8. Other assets and liabilities

Other assets consisted of the following items as of 31 March 2022 and 31 December 2021:

	31 March 2022	31 December 2021
Other non-current assets		
Customer acquisition costs	1,801	1,811
Deferred costs related to connection fees	248	264
Other non-current assets	109	101
Total other non-current assets	2,158	2,176
Other current assets		
Input value added tax	6,306	7,141
Advances to suppliers	3,573	3,992
Deferred costs related to connection fees	524	540
Prepaid taxes	29	8
Other current assets	78	75
Total other current assets	10,510	11,756

Other liabilities consisted of the following items as of 31 March 2022 and 31 December 2021:

	31 March 2022	31 December 2021
Other non-current liabilities		
Long-term deferred revenue	449	472
Other non-current liabilities	811	658
Total other non-current liabilities	1,260	1,130
Other current liabilities		
Amounts due to employees	5,861	6,134
Taxes payable (non-income tax)	5,212	3,958
Customer advances	1,199	2,847
Short-term deferred revenue	2,272	2,323
Other liabilities	787	411
Total other current liabilities	15,331	15,673

9. Assets held for sale

The following table shows the assets classified as held-for-sale as of 31 March 2022 and 31 December 2021:

	31 March 2022	31 December 2021
Other current assets	626	536
Goodwill	319	839
Property and equipment	283	–
Total assets classified as held for sale	1,228	1,375

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Investing activities of the Group

10. Property and equipment

During the three months ended 31 March 2022 and 31 March 2021, the Company had the following changes in property and equipment:

	Three months ended 31 March	
	2022	2021
Net book value as of 1 January	362,775	298,938
Additions ¹	17,416	19,088
Disposals	(117)	(355)
Depreciation charge	(21,108)	(18,907)
Impairment (Note 4)	(176)	(67)
Transfers	(154)	–
Reassessments and modifications ²	1,754	3,251
Reclassification to assets held for sale	(283)	(17)
Translation adjustment	1,067	597
Net book value as of 31 March	361,174	302,528

¹ Including additions of right-of-use assets during the three months ended 31 March 2022 in the amount of RUB 1,757 (2021: RUB 3,822);

² The amount of RUB 546 (2021: RUB 1,225) relates to lease term reassessment in Russia.

11. Intangible assets

During the three months ended 31 March 2022 and 31 March 2021, the Company had the following changes in intangible assets:

	Three months ended 31 March 2022			Three months ended 31 March 2021		
	Other intangible assets	Goodwill	Total intangible assets	Other intangible assets	Goodwill	Total intangible assets
Net book value as of 1 January	26,447	84,714	111,161	26,565	89,209	115,774
Additions	2,649	–	2,649	2,038	–	2,038
Disposals	(392)	–	(392)	–	–	–
Acquisition of subsidiaries	–	–	–	–	30	30
Transactions under common control (operations related to tower assets)	–	176	176	–	–	–
Amortization charge	(3,344)	–	(3,344)	(2,514)	–	(2,514)
Impairment (Note 4)	(2)	(37,415)	(37,417)	(16)	–	(16)
Transfers	59	–	59	–	–	–
Translation adjustment	430	285	715	141	103	244
Net book value as of 31 March	25,847	47,760	73,607	26,214	89,342	115,556

The movements in goodwill for the Group, per cash generating unit (“CGU”), consisted of the following items for the three-month period ended 31 March 2022:

	Note	Russia	Kazakhstan	Total
31 December 2021		80,439	4,275	84,714
Impairment	4	(37,415)	–	–
Transactions under common control (operations related to tower assets)		176	–	176
Translation adjustment		–	285	285
31 March 2022		43,200	4,560	47,760

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12. Transactions under common control

Sale of operations in Kyrgyzstan

In March 2022, VEON Eurasia S.à r.l. (a subsidiary of the Company) entered into an agreement for the sale of 50.1% shares of VIP Kyrgyzstan Holding AG (the subsidiary of the Company), which holds 100% shares in Menacrest AG (the subsidiary of the Company), which in turn holds 100% stake Sky Mobile, LLC and 100% stake Balance KG, LLC, an operating companies and subsidiaries of the Company in Kyrgyzstan. Under the agreement, on 10 March 2022, VEON Eurasia S.à r.l. transferred 50.1% shares of VIP Kyrgyzstan Holding AG to VEON Holdings B.V. (a subsidiary of VEON Ltd. and related party of the Group), in exchange for consideration of USD 12.1 million (the equivalent of RUB 1,405 as of 10 March 2022 at the exchange rate provided by the Central Bank of Russia). As of 10 March 2022, the net liabilities of VIP Kyrgyzstan Holding AG, Menacrest AG, Sky Mobile, LLC and Balance KG, LLC amounted to the equivalent of RUB 1,044. This transaction will be accounted for through equity of the Group with a total impact on equity of RUB 2,449. The effect of the divestment is detailed below:

	<u>Amount</u>
Net cash consideration received (USD 12,1 million)	<u>1,405</u>
Derecognition of assets:	
- Cash and cash equivalents	(639)
Total assets derecognized	<u>(639)</u>
Derecognition of liabilities:	
- Lease Liabilities	365
- Trade and other payables	671
- Provisions	164
- Other liabilities	483
Total liabilities derecognized	<u>1,683</u>
Total net liabilities disposed	<u>1,044</u>
Total impact on the Company's equity	<u>2,449</u>
Derecognition of non-controlling interests	(521)
Release cumulative other comprehensive income	(35)
Total effect of the divestment	<u>1,893</u>

The financial performance information of Kyrgyzstan operations (after excluding intra-group transactions) presented below are for the period of 2022 ended 10 March 2022 (“2022” column) and for the year ended 31 December 2021 (“2021” column).

Summarized Income statement

	<u>2022</u>	<u>2021</u>
Operating revenue	537	3,120
Service costs	(79)	(403)
Selling, general and administrative expenses	(289)	(1,659)
Reversal of Impairment / (impairment) loss	41	(1,361)
Operating profit / (loss)	<u>210</u>	<u>(303)</u>
Finance costs	(10)	(140)
Finance income	5	35
Foreign exchange gain, net	6	24
Profit / (loss) before income tax	<u>211</u>	<u>(384)</u>
Income tax expense	-	36
Profit / (loss) for the period	<u>211</u>	<u>(348)</u>
Attributable to:		
The owners of the Company	106	(174)
Non-controlling interests	105	(174)

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Financing activities of the Group

13. Financial assets and liabilities

The loans and other financial assets consisted of the following items as of 31 March 2022 and 31 December 2021:

	31 March 2022	31 December 2021
Loans and other financial assets		
At amortized cost		
- Loans granted to related parties, principal amount	39,049	34,078
- Loans granted to related parties, interest receivable	168	968
Loans granted to related parties	<u>39,217</u>	<u>35,046</u>
Loans granted to owners of the non-controlling interests	2,691	2,229
Other financial assets	<u>2,084</u>	<u>1,725</u>
Total loans and other financial assets	<u>43,992</u>	<u>39,000</u>
- Non-current	31,329	28,224
- Current	<u>12,663</u>	<u>10,776</u>

The debt and other financial liabilities consisted of the following items as of 31 March 2022 and 31 December 2021:

	31 March 2022	31 December 2021
Debt and other financial liabilities		
At amortized cost		
- Loans payables to related parties, principal amount	166,818	161,636
- Loans payables to related parties, interest payable	3,013	170
- Unamortised fees on loans payables to related parties	(583)	(582)
Loans payables to related parties	<u>169,248</u>	<u>161,224</u>
- Bonds, principal amount	488	701
- Bonds, interest payable	13	11
Bonds	<u>501</u>	<u>712</u>
- Bank loans, principal amount	1,632	1,721
- Bank loans, interest payable	8	66
Bank loans	<u>1,640</u>	<u>1,787</u>
Lease liabilities	161,465	162,836
Other financial liabilities	39	39
Total debt and other financial liabilities	<u>332,893</u>	<u>326,598</u>
- Non-current	299,843	298,143
- Current	<u>33,050</u>	<u>28,455</u>

There were no significant changes in financial assets and liabilities in the three-month period ended 31 March 2022 except for the scheduled repayments of debt, changes reflected in the tables above and as described below. Furthermore, there were no changes in risks and risk management policies as disclosed in the Group’s annual consolidated financial statements as of and for the year ended 31 December 2021.

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13. Financial assets and liabilities (continued)

Bonds

The Company had the following principal amounts outstanding for bonds as of 31 March 2022 and 31 December 2021:

Borrower	Type of bonds	Interest rate	Maturity	Currency	31 March 2022	31 December 2021
PJSC “VimpelCom”	Ruble bonds	5.55%	2025	RUB	488	488
PJSC “VimpelCom”	Ruble bonds	6.20%	2022	RUB	–	213
Total bonds, principal amount					488	701
- Non-current portion					488	488
- Current portion					–	213

In March 2022, PJSC “VimpelCom” fully repaid its 6.20% Ruble bonds in the amount of RUB 213 (principal amount) and the accrued interest on them in the amount of RUB 7.

Bank loans

Lender	Borrower	Interest rate	Maturity	Currency	31 March 2022	31 December 2021
ForteBank, JSC	KaR-Tel, LLP	13%	2023	KZT	1,632	1,721
Total bank loans					1,632	1,721
- Non-current portion					816	956
- Current portion					816	765

ForteBank

On 13 November 2020, KaR-Tel, LLP entered into a loan agreement with ForteBank, JSC on the provision of credit lines with a total limit of 10,000,000 thousand Kazakh tenge (the equivalent of RUB 1,796 as of 13 November 2020 at the exchange rate provided by the Central Bank of Russia). On 13 November 2020, under this loan agreement, KaR-Tel, LLP entered into an agreement with Bank RBK, JSC on the provision of a guarantee line in the amount of 5,000,000 thousand Kazakh tenge (the equivalent of RUB 898 as of 13 November 2020 at the exchange rate provided by the Central Bank of Russia). On 20 December 2020, KaR-Tel, LLP received financing in the amount of 5,000,000 thousand Kazakh tenge (the equivalent of RUB 873 as of 20 December 2020 at the exchange rate provided by the Central Bank of Russia) for the acquisition of fixed assets and other capital expenditures, the interest rate is 13%, the maturity date of the loan is until 13 November 2023. On 17 March 2021, KaR-Tel, LLP received the second tranche of financing in the amount of 5,000,000 thousand Kazakh tenge (the equivalent of RUB 871 as of 17 March 2021 at the exchange rate provided by the Central Bank of Russia) for the purchase of fixed assets and other capital expenditures, the interest rate is 13%, the maturity date of the loan is until 13 November 2023.

Loans granted to owners of the non-controlling interests

On 19 November 2021, VIP Kazakhstan Holding AG, a subsidiary of the Company, entered into a facility agreement with one of the owners of the non-controlling interests for USD 64.25 million. The interest rate under this facility agreement was LIBOR+1.25%. In the 4th quarter of 2021, VIP Kazakhstan Holding AG provided the owner of the non-controlling interests with the amount of USD 30 million (the equivalent of RUB 2,229 as of 31 December 2021 at the exchange rate provided by the Central Bank of Russia). In March 2022, VIP Kazakhstan Holding AG provided the owner of the non-controlling interests with the amount of USD 2 million (the equivalent of RUB 168 as of 31 March 2022 at the exchange rate provided by the Central Bank of Russia). In May 2022, VIP Kazakhstan Holding AG provided the owner of the non-controlling interests with the amount of USD 1.6 million (the equivalent of RUB 114 as of 31 May 2022 at the exchange rate provided by the Central Bank of Russia).

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13. Financial assets and liabilities (continued)

Loans granted to related parties and loans received from related parties

Significant changes in the financial assets and liabilities also relate to the loans received from related parties and the amount of interest accrued on them, loans granted to related parties and the amount of interest accrued on them as further described in Note 15.

Fair value

As of 31 March 2022, the fair values of all financial assets and liabilities are equal to or approximate their respective carrying amounts as shown in the table at the beginning of this note, with the exception of:

- loans payables to related parties, including interest accrued, for which fair value is equal to RUB 150,904 (31 December 2021: RUB 161,806);
- bonds, including interest accrued, for which fair value is equal to RUB 552 (31 December 2021: RUB 712);
- bank loans, including interest accrued, for which fair value is equal to RUB 1,679 (31 December 2021: RUB 1,918);
- 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.

As of 31 March 2022 and 31 December 2021, carrying amounts of financial assets and financial liabilities carried at amortized costs approximates their fair value which is measured based on Level 2 inputs.

Fair values are 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 values for loans to related parties are estimated by discounting contractual cash flows at the applicable rate for the instruments with similar maturity and risk profile. The fair value of derivative financial instruments is determined using the discounted cash flow techniques.

Observable inputs (Level 2) used in the valuation techniques include interbank interest rates, bond yields, swap curves, basis swap spreads, foreign exchange rates and credit default spreads.

On a quarterly basis, the Company reviews if there are any indicators for a possible transfer between fair value hierarchy levels. 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 2022 there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

14. Cash and cash equivalents

Cash and cash equivalents consisted of the following items as of 31 March 2022 and 31 December 2021:

	31 March 2022	31 December 2021
Cash and cash equivalents at banks and on hand	10,650	7,840
Short-term deposits with an original maturity of less than three months	390	2,473
Total cash and cash equivalents	11,040	10,313

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

As of 31 March 2022 and 31 December 2021, there were no restricted cash and cash equivalent balances.

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Additional information

15. Related parties

As of 31 March 2022 and 31 December 2021, PJSC “VimpelCom” was a wholly-owned indirect subsidiary of VEON Ltd. As of 31 March 2022 and 31 December 2021, VEON Ltd. was primarily owned by L1T VIP Holdings S.à r.l., a member of the LetterOne group of companies. VEON Ltd. has no ultimate controlling shareholder.

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

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

	For the three months ended 31 March	
	2022	2021
Continuing operations		
Revenue from VEON Ltd. and its subsidiaries:	452	385
- Revenue from Teta Telecom and its subsidiaries	125	116
- Revenue from Kyivstar	32	207
- Revenue from VEON Ltd. and its other subsidiaries	<u>609</u>	<u>708</u>
Services from VEON Ltd. and its subsidiaries:		
- Services from Teta Telecom and its subsidiaries	1,037	904
- Services from Kyivstar	189	182
- Services from VEON Ltd. and its other subsidiaries	<u>206</u>	<u>1,607</u>
	<u>1,432</u>	<u>2,693</u>
Finance income from VEON Ltd. and its subsidiaries	258	414
Finance costs from VEON Ltd. and its subsidiaries ¹	4,284	3,113
Other gain from VEON Ltd. and its subsidiaries, net	1	1
	As of	As of
	31 March	31 December
	2022	2021
Accounts receivable from VEON Ltd. and its subsidiaries:		
- Accounts receivable from Teta Telecom and its subsidiaries	297	646
- Accounts receivable from Kyivstar	115	70
- Accounts receivable from VEON Ltd. and its other subsidiaries	1,365	1,289
Accounts receivable from other related parties	-	63
	<u>1,777</u>	<u>2,068</u>
Accounts payable to VEON Ltd. and its subsidiaries:		
- Accounts payable to Teta Telecom and its subsidiaries	380	387
- Accounts payable to Kyivstar	137	64
- Accounts payable to VEON Ltd. and its other subsidiaries	2,496	2,052
Accounts payable to other related parties	-	1
	<u>3,013</u>	<u>2,504</u>
Loans granted to VEON Ltd. and its subsidiaries	39,049	34,078
Interest receivable from VEON Ltd. and its subsidiaries	168	968
Loans received from VEON Ltd. and its subsidiaries	166,818	161,636
Interest payable to VEON Ltd. and its subsidiaries	3,012	170
Amortised fees related to loans received from VEON Ltd. and its subsidiaries	<u>(583)</u>	<u>(582)</u>

¹ Change in finance costs from VEON Ltd. and its subsidiaries for the three months ended 31 March 2022 compared to the same period in 2021 was due to changes in the structure of loans received from VEON Ltd. and its subsidiaries, considering differences in loan amounts and interest rates on them in the respective reporting periods.

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15. Related parties (continued)

Loans granted to VEON Ltd. and its subsidiaries

As of 31 March 2022 and 31 December 2021, 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 March 2022	31 December 2021
PJSC “VimpelCom”	VEON Holdings B.V.	27 Oct. 2020	Oct. 2024	3.0%	USD	30,271	26,745
VIP Kazakhstan Holding AG ¹	VEON Holdings B.V.	19 Nov. 2021	Nov 2022	LIBOR+1.25%	USD	7,484	6,166
Clafdor Investments Ltd.	VEON Micro Holdings B.V.	4 Jun. 2018	On demand	LIBOR+0.60%	USD	889	786
KaR-Tel, LLP	TNS-Plus	2007-2011	Dec. 2026	9.46%	KZT	405	381
Total						39,049	34,078

¹ In March 2022, VIP Kazakhstan Holding AG provided VEON Holdings B.V. with the amount of USD 6 million (the equivalent of RUB 505 as of 31 March 2022 at the exchange rate provided by the Central Bank of Russia). In May 2022, VIP Kazakhstan Holding AG provided VEON Holdings B.V. with the amount of USD 4.9 million (the equivalent of RUB 309 as of 31 May 2022 at the exchange rate provided by the Central Bank of Russia).

Loans received from VEON Ltd. and its subsidiaries

As of 31 March 2022 and 31 December 2021, 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 March 2022	31 December 2021
VEON Finance Ireland Designated Activity Company ¹	PJSC “VimpelCom”	23 Dec. 2021	Dec. 2026	10.2% and CBR key rate+2.25%	RUB	45,000	45,000
VEON Finance Ireland Designated Activity Company ²	PJSC “VimpelCom”	23 Dec. 2021	Dec. 2026	CBR key rate+2.00%	RUB	45,000	45,000
VEON Finance Ireland Designated Activity Company ³	PJSC “VimpelCom”	15 Feb. 2022	Feb. 2029	CBR key rate+2.15%	RUB	30,000	–
VEON Holdings B.V. ⁴	PJSC “VimpelCom”	17 Dec. 2020	Dec., 2024	8.75%	RUB	24,768	23,377
VEON Holdings B.V.	PJSC “VimpelCom”	12 May 2021	May, 2024	3.00%	USD	19,760	17,459
VEON Holdings B.V. ⁵	PJSC “VimpelCom”	9 Aug. 2021	Aug., 2024	8.75%	RUB	2,290	800
VEON Holdings B.V. ⁶	PJSC “VimpelCom”	14 Aug. 2020	Aug., 2024	8.75%	RUB	–	30,000
Total						166,818	161,636

¹ In March 2022, the parties agreed to postpone the interest payment date from 24 March 2022 to 23 September 2022. On 10 June 2022 interest in the amount of RUB 1,316 was fully repaid in accordance with the permission received from Ministry of Finance of Russian Federation;

² In March 2022, the parties agreed to postpone the interest payment date from 21 March 2022 to 21 September 2022. On 10 June 2022 interest in the amount of RUB 402.5 was fully repaid in accordance with the permission received from Ministry of Finance of Russian Federation;

³ On 15 February 2022, PJSC “VimpelCom” signed the facility agreement with VEON Finance Ireland Designated Activity Company for the amounts of RUB 30,000 with a maturity date of 15 February 2029 for general corporate purposes. The interest rate under this facility agreement is the CBR key rate+2.15%. In the first quarter of 2022, under this facility agreement VEON Finance Ireland Designated Activity Company provided PJSC “VimpelCom” with RUB 30,000. In March and April 2022, the parties agreed to postpone the interest payment date from 15 March 2022 and 15 April 2022 to 14 September 2022. In May 2022, the parties agreed to postpone the interest payment date from 17 May 2022 to 17 October 2022. In June 2022, the parties agreed to postpone the interest payment date from 16 June 2022 to 16 November 2022;

⁴ In the first quarter of 2022, VEON Holdings B.V. provided PJSC “VimpelCom” with the equivalent of RUB 1,337 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia). In March and April 2022, the parties agreed to postpone the interest payment date from 14 March 2022 and 15 April 2022 to 12 September 2022. In May 2022, the parties agreed to postpone the interest payment date from 16 May 2022 to 16 October 2022. In June 2022, the parties agreed to postpone the interest payment date from 16 June 2022 to 16 November 2022;

⁵ In the first quarter of 2022, VEON Holdings B.V. provided PJSC “VimpelCom” with RUB 1,490;

⁶ In the first quarter of 2022, PJSC “VimpelCom” early repaid the principal amount of RUB 30,000.

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15. Related parties (continued)

Terms and conditions of transactions with related parties

Outstanding balances at period-end are unsecured, settlements occur in cash. During the three months ended 31 March 2022, there have been no new guarantees provided or received for any related party receivables or payables and no changes occurred to the terms and amounts of the Company’s guarantees of the related party loans that existed as of 31 December 2021 and were disclosed in the notes to the respective annual consolidated financial statements. No triggering events under the existing guarantees (Note 16) in favor of related parties occurred.

As of 31 March 2022 and 31 December 2021, the Group performed the impairment assessment over the loans granted to related parties and receivables owed by related parties held by the Company. As a result, the calculated amount of the expected credit loss allowance over the loans granted to related parties and receivables owed by related parties held by the Company was determined as insignificant from the Company’s perspective and was therefore not recognized as of 31 March 2022 and 31 December 2021.

16. Risks, commitments, contingencies and uncertainties

Other than disclosed below and elsewhere in these interim condensed consolidated financial statements, there were no material changes to risks, commitments, contingencies and uncertainties that occurred during the three-month period ended 31 March 2021.

Guarantees in favour of VEON Holdings B.V.

On 29 June 2011, VEON Holdings B.V., a subsidiary owned by VEON Ltd., completed an offering of an aggregate principal amount of USD 2,200 million notes (the equivalent of RUB 62,117 as of 29 June 2011 at the exchange rate provided by the Central Bank of Russia) split between three-, five- and ten-year tranches, with an annual interest rates range of LIBOR plus 4.0% - 7.50%. The Company guaranteed these notes issues. On 2 April 2015, 19 June 2017, 29 June 2017 and 31 December 2018, VEON Holdings B.V. partially repurchased its notes. As of 31 December 2021 and 31 December 2020, the outstanding principal amount under the notes was USD 417 million (the equivalent of RUB 30,980 as of 31 December 2021 at the exchange rate provided by the Central Bank of Russia) and USD 417 million (the equivalent of RUB 30,806 as of 31 December 2020 at the exchange rate provided by the Central Bank of Russia), respectively. In March 2022, VEON Holdings B.V. fully redeemed its notes, which were guaranteed by the Company. No triggering events under the guarantee occurred.

Current geopolitical situation

As of 29 April 2022, in response to the events in Ukraine, the United States, the European Union (and individual EU member states) and, the United Kingdom, as well as other countries have imposed wide-ranging economic sanctions and trade restrictions which have targeted individuals and entities as well as large aspects of the Russian economy, including freezing the assets of the Russia’s Central Bank, other Russian financial institutions, and individuals, removing selected Russian banks from the Swift banking system, and restricting export of certain products to Russia. Furthermore, as a response to the imposed sanctions, Russia introduced a number of countersanctions aimed at stabilizing domestic financial markets. These, among others, include new restrictions related to capital and foreign exchange controls, restrictions on lending to foreign (non-Russian) persons and certain financial operations for persons, controlled from “hostile” jurisdictions, restrictions on foreign persons’ transactions with Russian securities and real estate, limitations on export and import of certain goods into and outside Russia. The above circumstances have negatively affected the commodity and financial markets, as well as increased volatility in the stock and currency markets.

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16. Risks, commitments, contingencies and uncertainties (continued)

Current geopolitical situation (continued)

As of 29 April 2022, the Company is not itself subject to any sanctions imposed by the aforementioned jurisdictions. The sanctions imposed by the various jurisdictions, as well as decisions of our service providers, partners, suppliers and other counterparties, and the ensuing economic effects may have adverse effect on our results and operations in Russia and the Company's financial performance as a whole, as well as the Company's liquidity position and ability to attract new financing or source relevant network equipment from vendors. In addition, an increase in the key interest rate by the Central Bank of Russia can increase the cost of financing for the Company due to the Company's floating interest rate credit lines.

Currently, the management of the Company is focused on ensuring the provision of uninterrupted services to our customers and supporting the economic sustainability of the Company in the current environment. The quality of the Company's telecommunication network remains a key focus, and the Company continues to build new LTE base stations and to progress in the fiberization of its transport infrastructure. While the pace of these developments has somewhat decelerated due to the current context, the Company is proactively addressing market-wide component availability issues through cooperation with other major domestic telecom operators, researching possibility to build new supply chains and introducing flexible sourcing.

In the first quarter of 2022, the impairment loss of RUB 37,692 (including RUB 277 of goodwill within assets held for sale (Note 9)) was recognized against the carrying value of goodwill in Russia (Note 4).

The management of the Company actively monitors the Company's liquidity position, financial and non-financial covenants, and our equity levels on a regular and continuous basis both at the group and operating company levels. The Company has sufficient liquidity to satisfy our obligations in the foreseeable future, at least over the next twelve months. The company expects stable cash flows from operating activities for the foreseeable future. The Company actively monitors any new changes to assess their potential impact on the Company's financial performance, operations and management. The Company is also actively monitoring any new developments to ensure that we are in compliance and any potential impact on the Company's financial performance, operations, and governance.

The management of the Company has evaluated the aforementioned conditions and events, considered in aggregate, and has concluded the Company's ability to continue as a going concern for at least twelve months after the date of the consolidated financial statements are issued. Therefore, the accompanying interim condensed consolidated financial statements have been prepared on a going concern basis.

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17. Events after the reporting period

Loans granted and loans received

Significant changes in financial assets and liabilities after the reporting period related to the loans granted to related parties and loans received from related parties were described in Note 15.

Bank loans

Sberbank

On 22 December 2021, VEON Finance Ireland Designated Activity Company (“VFI”), the subsidiary of VEON Ltd. and the related party of the Company, signed a RUB 45 000 Term Facilities Agreement with PJSC Sberbank with a floating rate for which the interest rate is set based on the current key rate of the Bank of Russia plus 1.90% per annum. Maturity date of the facility is December 2026. The proceeds from PJSC Sberbank facility have been used by VFI to finance intercompany loans to PJSC “VimpelCom” (Note 15). On 12 April 2022, PJSC “VimpelCom” entered into a novation agreement with VFI and PJSC Sberbank, according to which it has been agreed to transfer by novation absolutely all of the VFI’s rights and obligations under the Term Facilities Agreement to PJSC “VimpelCom”, and PJSC Sberbank has agreed to release VFI from its existing obligations under the Term Facilities Agreement dated 22 December 2021 and release VEON Holdings B.V. from its guarantee under the Term Facilities Agreement. On 29 April 2022, a Set-Off Agreement was signed between “VFI” and PJSC “VimpelCom” to offset VFI’s obligations to pay consideration to PJSC “VimpelCom” in the amount of RUB 45,520 for assuming the borrower’s obligations under the novation agreement dated 12 April 2022. The amount of consideration due to PJSC “VimpelCom” was set off against the existing obligation of PJSC “VimpelCom” to VFI under the facility agreement with VFI for the total amount of RUB 45 000 dated 23 December 2021 (Note 15) together with all accrued but unpaid interest as of the date of set-off excluding the RUB 403 interest amounts for which the interest payment date was amended to 21 September 2022 under the waiver letter dated 22 March 2022 (Note 15).

ALFA-BANK

On 23 December 2021, VEON Finance Ireland Designated Activity Company (“VFI”), the subsidiary of VEON Ltd. and the related party of the Company, signed a RUB 45 000 Term Facilities Agreement with AO “ALFA-BANK” which includes a RUB 30 000 fixed 10.1% rate Facility A and a RUB 15 000 floating rate Facility B for which the interest rate is set based on the current key rate of the Bank of Russia plus 2.15% per annum, both with a maturity date of December 2026. The proceeds from AO “ALFA-BANK” facilities have been used by VFI to finance intercompany loans to PJSC “VimpelCom” (Note 15). On 15 April 2022, PJSC “VimpelCom” entered into a novation agreement with VFI and AO “ALFA-BANK”, according to which it has been agreed to transfer by novation absolutely all of the VFI’s rights and obligations under the Term Facilities Agreement to PJSC “VimpelCom”, and AO “ALFA-BANK” has agreed to release VFI from its existing obligations under the Term Facilities Agreement dated 23 December 2021 and release VEON Holdings B.V. from its guarantee under the Term Facilities Agreement. On 29 April 2022, a Set-Off Agreement was signed between “VFI” and PJSC “VimpelCom” to offset VFI’s obligations to pay consideration to PJSC “VimpelCom” in the amount of RUB 45,314 for assuming the borrower’s obligations under the novation agreement dated 15 April 2022. The amount of consideration due to PJSC “VimpelCom” was set off against the existing obligation of PJSC “VimpelCom” to VFI under the facility agreement with VFI for the total amount of RUB 45 000 dated 23 December 2021 (Note 15) together with all accrued but unpaid interest as of the date of set-off excluding the RUB 1 316 interest amounts for which the interest payment date was amended to 23 September 2022 under the waiver letter dated 22 March 2022 (Note 15).

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

Basis of preparation

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s audited annual consolidated financial statements as of and for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards.

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

New standards, interpretations and amendments

The accounting policies adopted in the preparation of the Group’s interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements as of and for the year ended 31 December 2021.

A number of new and amended standards became effective as of 1 January 2022, which did not have a material impact on VimpelCom financial statements. The Group has not early adopted any standards, interpretations or amendments that have been issued but have not yet become effective.