Unaudited interim condensed
consolidated financial statements

Public Joint Stock Company "Vimpel-Communications"

(a wholly-owned subsidiary of VEON Ltd.)

as of 30 September 2018 and
for the three and nine months ended 30 September 2018

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Contents

Report on Review of Interim Condensed Consolidated Financial Statements

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

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Public Joint Stock Company "Vimpel-Communications" (a wholly-owned subsidiary of VEON Ltd.) and its subsidiaries (hereinafter collectively referred to as "VimpelCom") as of 30 September 2018 and the related interim consolidated income statements and statements of comprehensive income for the three and nine-month periods then ended, statements of changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

AO PricewaterhouseCoopers Audit

23 November 2018
Moscow, Russian Federation

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

Audited entity: Public Joint Stock Company Vimpel-Communications

State registration certificate No. 015.624, issued by the Moscow Registration Bureau on 28 July 1993

Certificate of inclusion in the Unified State Register of Legal Entities No. 1027700166636 issued on 28 August 2002

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

Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate No. 008.890, issued by the Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration No. 1027700148431

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

ORNZ 11603050547 in the register of auditors and audit organizations

Public Joint Stock Company "Vimpel-Communications"
(a wholly-owned subsidiary of VEON Ltd.)

Interim consolidated income statement
for the three and nine months ended 30 September 2018
(All amounts in millions of Rubles)

	Note	Three months ended 30 September 2018 (unaudited)	Three months ended 30 September 2017 (unaudited)	Nine months ended 30 September 2018 (unaudited)	Nine months ended 30 September 2017 (unaudited)
Service revenue		**83,424**	85,947	**239,740**	247,735
Sale of equipment and accessories		**8,531**	3,303	**17,624**	8,775
Other revenue		**386**	302	**1,261**	964
Total operating revenue	4	**92,341**	89,552	**258,625**	257,474
Operating expenses					
Service costs		**(20,195)**	(21,837)	**(57,740)**	(62,749)
Cost of equipment and accessories		**(8,021)**	(3,624)	**(16,620)**	(9,343)
Selling, general and administrative expenses	6	**(32,393)**	(31,487)	**(92,304)**	(91,777)
Depreciation	9	**(13,654)**	(13,549)	**(40,646)**	(41,725)
Amortization	10	**(2,968)**	(2,844)	**(8,607)**	(8,583)
Impairment loss	5	**(11,906)**	288	**(12,303)**	(201)
Loss on disposal of non-current assets		**(586)**	(415)	**(1,378)**	(800)
Gain on sale of subsidiaries	3	**–**	–	**1,231**	–
Total operating expenses		**(89,723)**	(73,468)	**(228,367)**	(215,178)
Operating profit		**2,618**	16,084	**30,258**	42,296
Finance costs		**(5,432)**	(6,254)	**(16,667)**	(17,565)
Finance income		**732**	1,488	**2,956**	4,166
Net foreign exchange (loss) / gain		**(2,957)**	(1,945)	**(3,373)**	2,886
Other non-operating gain / (loss), net	7	**735**	(460)	**1,859**	(6,877)
Share of loss of joint ventures accounted for using the equity method		**–**	–	**–**	(1,230)
Impairment of joint ventures accounted for using the equity method		**–**	–	**–**	(6,410)
(Loss) / profit before tax		**(4,304)**	8,913	**15,033**	17,266
Income tax expense	8	**(2,732)**	(3,427)	**(9,817)**	(5,982)
(Loss) / profit for the period		**(7,036)**	5,486	**5,216**	11,284
Attributable to:					
The owners of the Company		**(3,356)**	5,533	**7,941**	9,920
Non-controlling interests		**(3,680)**	(47)	**(2,725)**	1,364
		(7,036)	5,486	**5,216**	11,284

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

Public Joint Stock Company "Vimpel-Communications"
(a wholly-owned subsidiary of VEON Ltd.)

Interim consolidated statement of comprehensive income for the three and nine months ended 30 September 2018

(All amounts in millions of Rubles)

	Three months ended 30 September		Nine months ended 30 September	
	2018 (unaudited)	**2017 (unaudited)**	**2018 (unaudited)**	**2017 (unaudited)**
(Loss) / profit for the period	**(7,036)**	5,486	**5,216**	11,284
Other comprehensive income / (loss)				
Items that may be reclassified subsequently to profit or loss:				
Change cash flow hedge reserve	**–**	15	**–**	101
Income tax effect	**–**	–	**–**	–
Exchange differences arising on net investment in foreign operations	**2,117**	(29,501)	**6,784**	(45,039)
Income tax effect	**195**	154	**(242)**	371
Other comprehensive income / (loss) for the period, net of tax	**2,312**	(29,332)	**6,542**	(44,567)
Total comprehensive (loss) / income for the period, net of tax	**(4,724)**	(23,846)	**11,758**	(33,283)
Attributable to:				
The owners of the Company	**(1,368)**	(23,598)	**14,418**	(33,726)
Non-controlling interests	**(3,356)**	(248)	**(2,660)**	443
	(4,724)	(23,846)	**11,758**	(33,283)

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

Public Joint Stock Company "Vimpel-Communications"
(a wholly-owned subsidiary of VEON Ltd.)

Interim consolidated statement of financial position as of 30 September 2018

(All amounts in millions of Rubles)

	Note	30 September 2018 (unaudited)	31 December 2017 (audited)
Assets			
Non-current assets			
Property and equipment	5,9	**196,358**	204,661
Intangible assets	5,10	**28,548**	31,249
Goodwill	5,10	**97,507**	100,814
Deferred income tax assets		**3,270**	5,304
Other financial assets	11	**1,621**	2,255
Other non-current assets	12	**1,088**	555
Total non-current assets		**328,392**	344,838
Current assets			
Inventories	3	**11,256**	3,301
Trade and other receivables		**24,663**	23,641
Other current assets	12	**10,876**	11,695
Current income tax assets		**2,698**	5,669
Other current financial assets	11	**47,786**	72,379
Cash and cash equivalents	13	**28,158**	24,963
Total current assets		**125,437**	141,648
Assets classified as held for sale	3	**25**	1,296
Total assets		**453,854**	487,782
Equity and liabilities			
Equity			
Equity attributable to equity owners of the parent		**129,536**	151,706
Non-controlling interests		**3,062**	5,550
Total equity		**132,598**	157,256
Non-current liabilities			
Financial liabilities	11	**211,108**	208,427
Provisions		**3,300**	2,771
Other non-current liabilities	12	**714**	1,304
Deferred income tax liabilities		**8,231**	10,877
Total non-current liabilities		**223,353**	223,379
Current liabilities			
Trade and other payables		**67,583**	51,712
Dividends payable	3	**–**	25
Other financial liabilities	11	**1,673**	24,161
Other current liabilities	12	**23,900**	24,701
Current income tax payables		**866**	196
Provisions		**3,881**	3,988
Total current liabilities		**97,903**	104,783
Liabilities directly associated with the assets classified as held for sale	3	**–**	2,364
Total equity and liabilities		**453,854**	487,782

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

Public Joint Stock Company “Vimpel-Communications”

(a wholly-owned subsidiary of VEON Ltd.)

Interim consolidated statement of changes in equity for the nine months ended 30 September 2018

(All amounts in millions of Rubles)

	Note	Attributable to the owners of the Company								
		Issued capital	Capital surplus	Other capital reserves	Retained earnings	Foreign currency translation reserve	Cash flow hedge reserve	Total	Non-controlling interests	Total equity
As of 31 December 2017 (audited)		**3**	**40,234**	**37,317**	**135,096**	**(60,944)**	**–**	**151,706**	**5,550**	**157,256**
Adjustments arising due to new accounting standards	2	–	–	–	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 period		–	–	–	7,941	–	–	**7,941**	(2,725)	**5,216**
Other comprehensive income / (loss)		–	–	–	–	6,477	–	6,477	65	**6,542**
Total comprehensive income		**–**	**–**	**–**	**7,941**	**6,477**	**–**	**14,418**	**(2,660)**	**11,758**
Dividends declared	3	–	–	–	(36,002)	–	–	**(36,002)**	(161)	**(36,163)**
Disposal of subsidiaries	3	–	–	–	–	(755)	–	**(755)**	287	**(468)**
As of 30 September 2018 (unaudited)		**3**	**40,234**	**37,317**	**107,204**	**(55,222)**	**–**	**129,536**	**3,062**	**132,598**

Interim consolidated statement of changes in equity for the nine months ended 30 September 2017

(All amounts in millions of Rubles)

	Attributable to the owners of the Company								
	Issued capital	Capital surplus	Other capital reserves	Retained earnings	Foreign currency translation reserve	Cash flow hedge reserve	Total	Non-controlling interests	Total equity
As of 31 December 2016 (audited)	**3**	**40,234**	**20,807**	**160,950**	**3,968**	**(117)**	**225,845**	**9,301**	**235,146**
Profit for the period	–	–	–	9,920	–	–	**9,920**	1,364	**11,284**
Other comprehensive (loss) / income	–	–	–	–	(43,747)	101	**(43,646)**	(921)	**(44,567)**
Total comprehensive income / (loss)	**–**	**–**	**–**	**9,920**	**(43,747)**	**101**	**(33,726)**	**443**	**(33,283)**
Dividends declared	–	–	–	(33,500)	–	–	**(33,500)**	(3,316)	**(36,816)**
Changes in an ownership interest in a subsidiary that do not result in a loss of control	–	–	30	–	–	–	**30**	29	**59**
As of 30 September 2017 (unaudited)	**3**	**40,234**	**20,837**	**137,370**	**(39,779)**	**(16)**	**158,649**	**6,457**	**165,106**

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

Interim consolidated statement of cash flows for the nine months ended 30 September 2018

(All amounts in millions of Rubles)

	Note	Nine months ended 30 September 2018	2017
Operating activities			
Profit for the period		**5,216**	11,284
Income tax expense	8	**9,817**	5,982
Profit before tax		**15,033**	17,266
Non-cash adjustments to reconcile profit before tax to net cash flows from operating activities:			
Depreciation	9	**40,646**	41,725
Impairment loss	5	**12,303**	201
Amortization	10	**8,607**	8,583
Loss on disposal of non-current assets		**1,378**	800
Gain on sale of subsidiaries	3	**(1,231)**	–
Finance income		**(2,956)**	(4,166)
Finance costs		**16,667**	17,565
Other non-operating (gain) / loss, net	7	**(1,859)**	6,877
Net foreign exchange loss / (gain)		**3,373**	(2,886)
Share of loss of joint ventures accounted for using the equity method		**–**	1,230
Impairment of joint ventures accounted for using the equity method		**–**	6,410
Movements in provisions		**430**	593
Operating cash flows before working capital adjustments, interest and income taxes		**92,391**	94,198
Working capital adjustments			
Change in trade and other receivables		**701**	(1,133)
Change in inventories		**(7,622)**	1,610
Change in trade and other payables		**7,453**	9,783
Interest and income taxes			
Interest paid		**(16,425)**	(16,033)
Interest received		**1,659**	4,562
Income tax paid		**(6,568)**	(5,623)
Net cash flows from operating activities		**71,589**	87,364
Investing activities			
Purchase of property, equipment and intangible assets net of proceeds from sale of property, equipment and intangible assets		**(40,052)**	(41,519)
Issue of loans		**(57,453)**	(20,983)
Repayment of loans issued		**88,587**	5,486
Inflows from deposits, net		**7**	185
Inflows / (outflows) from investments in other financial assets		**1,533**	(3,231)
Disposal of subsidiaries, net of cash disposed		**328**	–
Acquisition of subsidiaries, net of cash acquired		**(52)**	–
Receipt of dividends		–	1
Net cash flows used in investing activities		**(7,102)**	(60,061)
Financing activities			
Proceeds from borrowings, net of fees paid		**285**	121,799
Repayment of borrowings		**(27,968)**	(96,188)
Dividends paid to equity holders		**(36,002)**	(33,498)
Dividends paid to non-controlling interests		**(163)**	(3,291)
Proceeds from changes in ownership interests in consolidated subsidiaries		**–**	59
Net cash flows used in financing activities		**(63,848)**	(11,119)
Net increase in cash and cash equivalents		**639**	16,184
Effect of exchange rate changes on cash and cash equivalents, net		**2,556**	(18,825)
Cash and cash equivalents at the beginning of the period		**24,963**	47,510
Cash and cash equivalent classified as assets held for sale		**–**	(122)
Cash and cash equivalents at the end of the period		**28,158**	44,747

The accompanying notes are an integral part of these interim condensed 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”, 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 earns revenues by providing telecommunication services through a range of traditional and broadband mobile and fixed-line technologies.

As of 30 September 2018, the Company operated telecommunications services in Russia, Kazakhstan, Armenia, Uzbekistan, Georgia and Kyrgyzstan primarily under the “Beeline” brand name. In the second quarter of 2018, VimpelCom sold its operations in Laos (Note 3).

The interim condensed consolidated financial statements of the Company as of 30 September 2018 and for the three and nine months ended 30 September 2018 were authorized for issue by the General Director on 23 November 2018.

2. 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 2017, 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 adopted by the Group

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 2017 except for the adoption of amended Standards that are mandatory for financial annual periods beginning on 1 January 2018.

(All amounts in millions of Rubles unless otherwise stated)

2. Basis of preparation of the interim condensed consolidated financial statements (continued)

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

A number of new and amended standards became effective as of 1 January 2018, the impact of which is described below. The Group has not early adopted any other standards, interpretations or amendments that have been issued but have not yet become effective.

New accounting standards in 2018

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

	Impact of IFRS 9	Impact of IFRS 15	Total impact
	Impairment	Revenue and contract costs	of IFRS 9 and IFRS 15
Assets			
Non-current assets			
Deferred tax assets	20	(153)	**(133)**
Other assets	–	557	**557**
Current assets			
Trade and other receivables, allowance for doubtful debt	(189)	–	**(189)**
Other assets	–	(148)	**(148)**
Equity and liabilities			
Equity attributable to equity owners of the parent	(151)	320	**169**
Non-controlling interests	(18)	64	**46**
Other liabilities	–	(128)	**(128)**

IFRS 15 “Revenue from contracts with customers”

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

Revenue recognition

Due to the nature of the Group’s existing product offerings (i.e. prevailing pre-paid service offerings), as well as the Group’s existing accounting policies, the impact of IFRS 15 on revenue recognition by the Group will be immaterial.

Costs of obtaining a contract with customer

Under IFRS 15, certain incremental costs incurred in acquiring a contract with a customer (“contract costs”), which previously did not qualify for recognition as an asset under any of the other accounting standards, are deferred in the consolidated statement of financial position. Such costs relate primarily to commissions paid to third-party dealers and are amortized as revenue is recognized under the related contract, within the “Selling, general and administrative expenses” line item within the consolidated income statement.

The Group applies the practical expedient available in IFRS 15 for contract 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. The impact of capitalizing contract costs upon implementation of IFRS 15 is shown in the table earlier in this Note.

2. Basis of preparation of the interim condensed consolidated financial statements (continued)

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

New accounting standards in 2018 (continued)

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

Transition

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

The impact that adoption of IFRS 15 has had on the opening balance sheet of the Group, as of 1 January 2018, is shown in the table presented earlier in this Note.

IFRS 9 “Financial instruments”

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

Classification and measurement

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

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

Debt instruments should be classified and measured either at:

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

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

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

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

2. Basis of preparation of the interim condensed consolidated financial statements (continued)

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

New accounting standards in 2018 (continued)

IFRS 9 "Financial instruments" (continued)

Impairment (allowance for doubtful debt)

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

As a result, the allowance for doubtful debt of the Company has increased upon implementation of IFRS 9 on 1 January 2018. The impact of applying the Expected Credit Loss model is shown in the table earlier in this Note.

Hedge Accounting

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

Transition

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

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

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

IFRS 16 "Leases"

IFRS 16 Leases replaces the IAS 17 Leases, the current lease accounting standard and will become effective on January 1, 2019. The new lease standard will require assets leased by the Company to be recognized on the statement of financial position of the Company with a corresponding liability. The Company is in the process of assessing the impact of IFRS 16 Leases, which is expected to be material, on the consolidated income statement and consolidated statement of financial position upon adoption in 2019.

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 yet to assess the impact of IFRIC 23, which may be material to the consolidated income statement and consolidated statement of financial position upon adoption in 2019.

(All amounts in millions of Rubles unless otherwise stated)

3. Significant transactions

Exit from Euroset Joint Venture

On 7 July 2017, PJSC “VimpelCom” entered into a Framework Agreement with PJSC “MegaFon” (“MegaFon”) to unwind their retail joint venture, Euroset Holding N.V. (“Euroset”). On 22 February 2018, the completion occurred in relation to the transaction to end their Euroset joint venture. Pursuant to terms of the transaction, PJSC “VimpelCom” acquired approximately half of Euroset’s retail stores in Russia and paid to MegaFon RUB 1,250, subject to certain adjustments, while MegaFon acquired PJSC “VimpelCom”’s 50% interest in Euroset, resulting in MegaFon now owning 100% of Euroset. As a result of the transaction, PJSC “VimpelCom” has fully disposed of its interest in Euroset. Prior to the transaction, Euroset, Russia’s mobile and electronics retail network, was co-owned by PJSC “VimpelCom” and MegaFon. The transaction was accounted for as an asset acquisition, primarily the acquisition of contract-based intangible assets representing the right to use of retail stores.

Laos operations classified as held for sale

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

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

Settlement agreement

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

Dividends

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

(All amounts in millions of Rubles unless otherwise stated)

3. Significant transactions (continued)

Inventories

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

4. Segment information

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

Management evaluates the performance of the Group’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 / (losses) and share of profit / (loss) of joint ventures (“EBITDA”).

The Company’s reportable segments include Russia, Kazakhstan and Uzbekistan, HQ and Others. The segment HQ and Others includes our operations in Kyrgyzstan, Armenia, Georgia, and Laos as well as headquarter expenses, other unallocated adjustments and inter-company eliminations.

Financial information by reportable segment for the three and nine months ended 30 September 2018 and 30 September 2017 is presented in the following tables. Inter-segment revenues between operating segments are on an arm’s length basis in a manner similar to transactions with third parties. The segment data for acquired operations are reflected herein from the date of their respective acquisition.

Information by reportable segments for the three months ended 30 September 2018

	Russia	Kazakhstan	Uzbekistan	HQ and others	Group
Revenue					
External customers	76,831	6,672	5,425	3,413	**92,341**
Inter-segment	45	6	7	(58)	**–**
Total operating revenue	**76,876**	**6,678**	**5,432**	**3,355**	**92,341**
Mobile revenue	68,102	6,128	5,396	2,869	**82,495**
Fix revenue	8,774	550	36	486	**9,846**
EBITDA	**26,903**	**2,850**	**2,428**	**(449)**	**31,732**
Capital expenditures	**12,875**	**1,065**	**589**	**576**	**15,105**

Information by reportable segments for the nine months ended 30 September 2018

	Russia	Kazakhstan	Uzbekistan	HQ and others	Group
Revenue					
External customers	215,844	18,869	14,616	9,296	**258,625**
Inter-segment	178	43	18	(239)	**–**
Total operating revenue	**216,022**	**18,912**	**14,634**	**9,057**	**258,625**
Mobile revenue	189,383	17,342	14,529	7,775	**229,029**
Fix revenue	26,639	1,570	105	1,282	**29,596**
EBITDA	**78,449**	**7,603**	**6,497**	**(588)**	**91,961**
Capital expenditures	**35,692**	**2,594**	**2,120**	**2,829**	**43,235**

(All amounts in millions of Rubles unless otherwise stated)

4. Segment information (continued)

Information by reportable segments for the three months ended 30 September 2017

	Russia	Kazakhstan	Uzbekistan	HQ and others	Group
Revenue					
External customers	72,498	5,800	7,699	3,555	**89,552**
Inter-segment	191	33	6	(230)	**–**
Total operating revenue	**72,689**	**5,833**	**7,705**	**3,325**	**89,552**
Mobile revenue	62,547	5,342	7,657	3,009	**78,555**
Fix revenue	10,142	491	48	316	**10,997**
EBITDA	**27,811**	**2,044**	**3,948**	**(1,199)**	**32,604**
Capital expenditures	**11,232**	**814**	**564**	**599**	**13,209**

Information by reportable segments for the nine months ended 30 September 2017

	Russia	Kazakhstan	Uzbekistan	HQ and others	Group
Revenue					
External customers	205,469	16,566	25,377	10,062	**257,474**
Inter-segment	533	54	48	(635)	**–**
Total operating revenue	**206,002**	**16,620**	**25,425**	**9,427**	**257,474**
Mobile revenue	176,260	15,073	25,260	8,346	**224,939**
Fix revenue	29,742	1,547	165	1,081	**32,535**
EBITDA	**77,963**	**6,093**	**13,313**	**(3,764)**	**93,605**
Capital expenditures	**26,205**	**2,217**	**2,792**	**2,050**	**33,264**

The following table provides the reconciliation of consolidated EBITDA to consolidated profit / (loss) for the three and nine months ended 30 September:

	Three months ended 30 September		Nine months ended 30 September	
	2018	**2017**	**2018**	**2017**
EBITDA	**31,732**	32,604	**91,961**	93,605
Depreciation	**(13,654)**	(13,549)	**(40,646)**	(41,725)
Amortization	**(2,968)**	(2,844)	**(8,607)**	(8,583)
Impairment loss	**(11,906)**	288	**(12,303)**	(201)
Loss on disposal of non-current assets	**(586)**	(415)	**(1,378)**	(800)
Gain on sale of subsidiaries	**–**	–	**1,231**	–
Finance costs	**(5,432)**	(6,254)	**(16,667)**	(17,565)
Finance income	**732**	1,488	**2,956**	4,166
Other non-operating gain / (loss), net	**735**	(460)	**1,859**	(6,877)
Share of loss of joint ventures accounted for using the equity method	**–**	–	**–**	(1,230)
Impairment of joint ventures accounted for using the equity method	**–**	–	**–**	(6,410)
Net foreign exchange (loss) / gain	**(2,957)**	(1,945)	**(3,373)**	2,886
Income tax expense	**(2,732)**	(3,427)	**(9,817)**	(5,982)
(Loss) / profit for the period	**(7,036)**	5,486	**5,216**	11,284

5. Impairment

Goodwill is tested for impairment annually (at 1 October) 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 that use a discounted cash flow model, using cash flow projections from business plans prepared by management. The Company considers the relationship between market capitalization of VEON Ltd. and its book value, as well as weighted average cost of capital and the quarterly financial performances of each cash-generating units ("CGU") when reviewing for indicators of impairment in interim periods.

(All amounts in millions of Rubles unless otherwise stated)

5. Impairment (continued)

During the third quarter of 2018, due to operational underperformance of its operations in Armenia, Georgia and Kyrgyzstan, the Company has revised its previous estimates and assumptions regarding the future cash flows of these CGU's. As a result, the Company recorded an impairment against the carrying values of these CGU's during the three-month period ended 30 September 2018.

Impairment for the nine months ended 30 September 2018 consisted of the following:

CGU's	Property and equipment	Intangible assets	Goodwill	Total impairment
Armenia	3,082	688	1,700	**5,470**
Georgia	2,144	1,296	–	**3,440**
Kyrgyzstan	–	–	3,089	**3,089**
Russia	285	–	–	**285**
Kazakhstan	19	–	–	**19**
Total	**5,530**	**1,984**	**4,789**	**12,303**

For these CGU's, impairment losses were allocated first to the existing carrying value of goodwill and then subsequently to property and equipment and intangible assets based on relative carrying values.

Key assumptions

The recoverable amounts of CGU's have been determined using fair value less costs of disposal. 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.

Key assumptions	Armenia	Georgia	Kyrgyzstan
Discount rate	12.5%	10.6%	14.8%
Average annual revenue growth rate*	0.2%	2.1%	2.8%
Long-term growth rate	0.8%	3.0%	5.0%
Average operating margin*	23.5%	25.7%	40.2%
Average capital expenditure as a percentage of revenue*	20.1%	24.5%	16.1%

***** *During the explicit forecast period of five years*

6. Selling, general and administrative expenses

Selling, general and administrative expenses for the three and nine months ended 30 September consisted of the following:

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
Customer associated costs	**8,216**	7,584	**23,055**	21,712
Personnel costs	**8,122**	6,790	**22,194**	20,617
Network and IT costs	**5,990**	5,471	**16,590**	15,462
Operating lease and other rent expenses	**4,782**	4,635	**14,129**	14,038
Taxes other than income tax	**2,613**	3,067	**7,338**	8,877
Consulting and professional service costs	**1,172**	2,331	**3,672**	6,091
Losses on receivables	**491**	603	**2,244**	1,972
Other G&A expenses	**1,007**	1,006	**3,082**	3,008
Total	**32,393**	31,487	**92,304**	91,777

(All amounts in millions of Rubles unless otherwise stated)

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

Other non-operating gain / (loss), net for the three and nine months ended 30 September consisted of the following:

	Three months ended 30 September		Nine months ended 30 September	
	2018	**2017**	**2018**	**2017**
Changes in the fair value of non-hedge derivatives	**695**	(434)	**2,239**	(2,227)
Loss on sale of foreign currency, net	**(17)**	(1)	**(18)**	(30)
Loss from early debt redemption	**–**	–	**–**	(4,430)
Changes in the fair value of hedge derivatives	**–**	(33)	**–**	(56)
Other gain / (loss), net	**57**	8	**(362)**	(134)
Total other non-operating gain / (loss), net	**735**	(460)	**1,859**	(6,877)

8. Income taxes

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

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

Income tax expense consisted of the following for the three and nine months ended 30 September:

	Three months ended 30 September		Nine months ended 30 September	
	2018	**2017**	**2018**	**2017**
(Loss) / profit before tax	**(4,304)**	8,913	**15,033**	17,266
Current income tax	**(3,129)**	(4,179)	**(10,577)**	(8,948)
Deferred income tax	**397**	752	**760**	2,966
Income tax expense reported in the interim consolidated income statement	**(2,732)**	(3,427)	**(9,817)**	(5,982)
Effective tax rates	**(63%)**	38%	**65%**	35%

The effective income tax rate for the three and nine months ended 30 September 2018 amounts to (63%) and 65%, respectively (2017: 38% and 35%). For the nine months 2018, the effective income tax rate was mainly driven by higher tax rate in Uzbekistan and new transition tax introduced in United States, which includes new requirements with respect to foreign income inclusion and deduction items, and other adjustments relating to Russia and Uzbekistan. For the three months ended 30 September 2018, the negative tax rate was caused by impairment accrued on assets of Armenia, Georgia and Kyrgyzstan. In the three-month and nine-month period ended 30 September 2017 the effective income tax rate was mainly driven by impairment of investments in joint ventures.

(All amounts in millions of Rubles unless otherwise stated)

9. Property and equipment

During the nine months ended 30 September 2018 and 2017, the Company had the following changes in property and equipment:

	Nine months ended 30 September	
	2018	**2017**
Net book value as of 1 January	**204,661**	**237,011**
Additions	**36,020**	28,253
Net book value of assets disposed	**(1,823)**	(1,379)
Translation adjustment	**3,701**	(15,582)
Depreciation charge	**(40,646)**	(41,725)
Impairment	**(5,530)**	(201)
Assets classified as assets held for sale	**(25)**	(882)
Net book value as of 30 September	**196,358**	205,495

For the nine-month period ended 30 September 2018, impairment losses of RUB 5,530 were recognized mainly in respect of property and equipment of Armenia and Georgia (Note 5).

10. Intangible assets and goodwill

During the nine months ended 30 September 2018 and 2017, the Company had the following changes in intangible assets and goodwill:

	Nine months ended 30 September			
	2018		**2017**	
	Other intangible assets	**Goodwill**	**Other intangible assets**	**Goodwill**
Opening net book value as of 1 January	**31,249**	**100,814**	35,565	106,617
Additions	**7,215**	–	5,011	–
Acquisition of a subsidiary	–	–	23	–
Net book value of assets disposed	**(3)**	–	(78)	–
Translation adjustment	**676**	**1,482**	(849)	(2,793)
Amortization charge	**(8,607)**	–	(8,583)	–
Impairment	**(1,984)**	**(4,789)**	–	–
Closing net book value as of 30 September	**28,548**	**97,507**	**31,089**	**103,824**

For the nine-month period ended 30 September 2018, impairment losses of RUB 1,984 were recognized in respect of other intangible assets in Georgia and Armenia (Note 5).

Goodwill

The movement in goodwill for the Group, per cash generating unit (**“CGU”**), consisted of the following for the nine-month period ended 30 September 2018:

CGU's	**30 September 2018**	**Impairment**	**Translation adjustment**	**31 December 2017**
Russia	**87,984**	–	–	**87,984**
Kyrgyzstan	**3,543**	(3,089)	858	**5,774**
Kazakhstan	**4,488**	–	183	**4,305**
Armenia	–	(1,700)	254	**1,446**
Uzbekistan	**1,492**	–	187	**1,305**
Total	**97,507**	(4,789)	1,482	**100,814**

During the third quarter of 2018, impairment losses of RUB 4,789 were recognized in respect of goodwill in Kyrgyzstan and Armenia (Note 5).

(All amounts in millions of Rubles unless otherwise stated)

11. Financial assets and liabilities

Carrying values and fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Company’s financial instruments that are carried in the interim condensed consolidated financial statements as of 30 September 2018 and 31 December 2017 except for cash and cash equivalents, trade and other receivables and trade and other payables where the carrying amount is a reasonable approximation of fair value (based on future cash flows discounted at current market rates):

	Carrying value		Fair value	
	30 September 2018	**31 December 2017**	**30 September 2018**	**31 December 2017**
Financial assets at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	**689**	–	**689**	–
Total financial assets at fair value	**689**	–	**689**	–
Loans granted, deposits and other financial assets at amortised cost				
Loans granted to related parties, principal (Note 14)	**47,547**	73,211	**47,547**	73,166
Bank deposits	**–**	64	**–**	64
Interest receivable	**120**	252	**120**	252
Other financial assets	**1,051**	1,107	**1,051**	1,107
Total loans granted, deposits and other financial assets at amortised cost	**48,718**	74,634	**48.718**	74,589
Total other financial assets	**49,407**	74,634	**49,407**	74,589
Other financial liabilities at amortised cost				
Loans, bonds and finance lease liabilities, principal	**29,426**	36,395	**31,124**	39,247
Loans payables to related parties, principal (Note 14)	**174,836**	188,437	**176,942**	193,470
Unamortised fees	**(707)**	(851)	–	–
Interest payable	**9,226**	8,607	**6,253**	5,105
Total other financial liabilities at amortised cost	**212,781**	232,588	**214,319**	237,822
Total other financial liabilities	**212,781**	232,588	**214,319**	237,822

The following table provides the breakdown of the carrying value other financial assets and other financial liabilities by non-current and current portions as of 30 September 2018 and 31 December 2017:

	30 September 2018	**31 December 2017**
Other financial assets		
Non-current portion	**1,621**	2,255
Current portion	**47,786**	72,379
Total other financial assets	**49,407**	74,634
Other financial liabilities		
Non-current portion	**211,108**	208,427
Current portion	**1,673**	24,161
Total other financial liabilities	**212,781**	232,588

(All amounts in millions of Rubles unless otherwise stated)

11. Financial assets and liabilities (continued)

Fair value hierarchy

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.

The following table provides the disclosure of fair value measurements separately for each major class of assets and liabilities at fair value.

	As of 30 September 2018	As of 31 December 2017
	(Level 2)	(Level 2)
Financial assets at fair value through profit or loss		
Derivatives not designated as hedges		
Foreign exchange contracts	**689**	–
Total financial assets at fair value	**689**	–

During the nine-month period ended 30 September 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Major treasury events during 2018

Significant changes in financial assets and liabilities relate to the loans received from related parties and the amount of interest due on them, and loans granted to related parties and the amount of interest due on them as further described in Note 14.

12. Other assets and liabilities

Other non–current assets consisted of the following:

	30 September 2018	31 December 2017
Capitalized costs of obtaining customer contracts	**509**	–
Advances to suppliers and prepayments	**361**	392
Deferred costs related to connection fees	**105**	53
Input value added tax	**92**	82
Other non-current assets	**21**	28
Other non–current assets	**1,088**	555

Other current assets consisted of the following:

	30 September 2018	31 December 2017
Input value added tax	**5,248**	5,453
Advances to suppliers	**4,871**	5,383
Prepaid taxes	**477**	460
Deferred costs related to connection fees	**66**	229
Others	**214**	170
Other current assets	**10,876**	11,695

(All amounts in millions of Rubles unless otherwise stated)

12. Other assets and liabilities (continued)

Other non–current liabilities consisted of the following:

	30 September 2018	31 December 2017
Long–term deferred revenue	**196**	244
Other non–current liabilities	**518**	1,060
Other non–current liabilities	**714**	1,304

Other current liabilities consisted of the following:

	30 September 2018	31 December 2017
Customer advances, net of VAT*	**9,283**	10,820
Other taxes payable	**8,397**	7,629
Amounts due to employees	**4,706**	3,931
Short–term deferred revenue	**968**	825
Customer deposits	**374**	1,340
Other liabilities	**172**	156
Other current liabilities	**23,900**	24,701

* *The significant amounts related to mobile customer advances in Russia and Kazakhstan are financial liability as of 30 September 2018 and 31 December 2017.*

13. Cash and cash equivalents

Cash and cash equivalents consisted of the following items:

	30 September 2018	31 December 2017
Cash and cash equivalents at banks and on hand	**25,533**	22,863
Short–term deposits with an original maturity of less than 92 days	**2,625**	2,100
Total cash and cash equivalents	**28,158**	24,963

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

(All amounts in millions of Rubles unless otherwise stated)

14. Related parties transactions

As of 30 September 2018, PJSC “VimpelCom” is a wholly-owned indirect subsidiary of VEON Ltd. As of 30 September 2018, VEON Ltd. is 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.

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 three months ended 30 September		**For the nine months ended 30 September**	
	2018	**2017**	**2018**	**2017**
Revenue from Telenor	**–**	17	**–**	47
Revenue from Kyivstar	**208**	280	**607**	858
Revenue from joint ventures	**–**	(139)	**17**	140
Revenue from Teta Telecom or its subsidiaries	**241**	340	**764**	902
Revenue from VEON Ltd. or its subsidiaries	**549**	187	**1,205**	709
Revenue from other related parties	**37**	257	**144**	257
	1,035	942	**2,737**	2,913
Services from Telenor	**–**	15	**–**	42
Services from Kyivstar	**444**	563	**1,273**	1,697
Services from joint ventures	**–**	392	**239**	1,315
Services from Teta Telecom or its subsidiaries	**954**	972	**2,923**	2,758
Services from VEON Ltd. or its subsidiaries	**3,044**	3,370	**7,593**	9,062
Services from other related parties	**23**	30	**68**	41
	4,465	5,342	**12,096**	14,915
Finance income from VEON Ltd. or its subsidiaries	**590**	905	**2,464**	2,555
Finance costs from VEON Ltd. or its subsidiaries	**4,826**	4,699	**14,535**	7,040
Other loss from VEON Ltd. or its subsidiaries, net	**(61)**	–	**(194)**	(638)
Other gain from other related parties, net	**–**	3	**–**	7

	As of 30 September 2018	**As of 31 December 2017**
Accounts receivable from Kyivstar	**320**	310
Accounts receivable from joint ventures	**–**	697
Accounts receivable from Teta Telecom or its subsidiaries	**92**	474
Accounts receivable from VEON Ltd. or its subsidiaries	**807**	762
Accounts receivable from other related parties	**–**	136
	1,219	2,379
Accounts payable to Kyivstar	**194**	185
Accounts payable to joint ventures	**–**	225
Accounts payable to Teta Telecom or its subsidiaries	**875**	675
Accounts payable to VEON Ltd. or its subsidiaries	**13,614**	11,100
Accounts payable to other related parties	**3**	2
	14,686	12,187
Loans granted to VEON Ltd. or its subsidiaries	**47,547**	73,211
Interest receivable from VEON Ltd. or its subsidiaries	**151**	252
Loans received from VEON Ltd. or its subsidiaries	**174,836**	188,437
Interest payable to VEON Ltd. or its subsidiaries	**8,871**	7,703
Unamortised fees related to loans received from VEON Ltd. or its subsidiaries	**(655)**	(800)
Loans received from VEON Ltd. or its subsidiaries classified as liabilities directly associated with the assets classified as held for sale*	–	1,239
Interest payable to VEON Ltd. or its subsidiaries related to loans received classified as liabilities directly associated with the assets classified as held for sale*	–	34

* The loans related to VimpelCom Lao Company Ltd. (subsidiary of the PJSC “VimpelCom”) were reclassified to liabilities directly associated with the assets classified as held for sale on 30 June 2017 (Note 3). The total outstanding amount as of 31 December 2017 was USD 21.5 million (the equivalent of RUB 1,238 as of 31 December 2017 at the exchange rate provided by the Central Bank of Russia). In March 2018 VEON Micro Holdings B.V. sold all these loans to VimpelCom Holding Laos B.V. (subsidiary of the PJSC “VimpelCom”).

(All amounts in millions of Rubles unless otherwise stated)

14. Related parties (continued)

Loans granted to VEON Ltd. or its subsidiaries

As of 30 September 2018 and 31 December 2017, the principal amounts of loans granted to VEON Ltd. or its subsidiaries were as follows:

Lender	Borrower	Date of agreement	Maturity	Interest rate	Currency	30 September 2018	31 December 2017
PJSC "VimpelCom" [1]	VEON Holdings B.V.	13 Dec 2017	< 3 months	8.0%	RUB / USD	**20,082**	49,873
VEON Armenia, CJSC [2]	VEON Holdings B.V.	7 Aug 2017	–	LIBOR+0.8%	USD	**14,427**	12,415
VEON Eurasia S.à r.l. [3]	VEON Holdings B.V.	31 Mar 2017	–	LIBOR+0.6%	USD	**2,299**	8,720
Golden Telecom Inc. [4]	VEON Holdings B.V.	31 Jan 2018	–	LIBOR+0.7%	USD	**9,334**	–
KaR-Tel, LLP [5]	TNS-Plus	2007-2011	2018 - 2021	9.46%	KZT	**743**	1,109
Clafdor Investments Ltd. [6]	VEON Micro Holdings B.V.	4 June 2018	–	LIBOR+0.6%	USD	**662**	–
VEON Eurasia S.à r.l. [7]	VEON Micro Holdings B.V.	26 Feb 2016	Mar, 2018	5.00%	USD	**–**	1,094
Total						**47,547**	73,211

[1] For the nine months ended 30 September 2018 PJSC "VimpelCom" provided VEON Holdings B.V. with the equivalent of RUB 47,571 (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 78,105 (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 nine months ended 30 September 2018 was RUB 743 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia). In October and November of 2018, PJSC "VimpelCom" provided VEON Holdings B.V. with the equivalent of RUB 9,619 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia) while VEON Holdings B.V. repaid the equivalent of RUB 5,685 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia);

[2] The amount of interest capitalized for the nine months ended 30 September 2018 was USD 4.41 million. On 1 October 2018, CJSC VEON Armenia provided VEON Holdings B.V. with USD 4 million (the equivalent of RUB 262 as of 1 October 2018 at the exchange rate provided by the Central Bank of Russia);

[3] For the nine months ended 30 September 2018 the net changes in deposits amounted to USD (116.4) million (the equivalent of RUB (7,380) as of the date of each transaction at the exchange rates provided by the Central Bank of Russia);

[4] On 31 January 2018, Golden Telecom Inc. (subsidiary of the PJSC "VimpelCom") signed a current account agreement with VEON Holdings B.V. for a maximum amount of USD 150 million. The agreement has maturity date of five years and the interest rate amounts to one-month LIBOR+0.7%. For the nine months ended 30 September 2018 net changes in the current account amounted to USD 142 million (the equivalent of RUB 7,993 as of the date of each transaction at the exchange rate provided by the Central Bank of Russia);

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

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

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

(All amounts in millions of Rubles unless otherwise stated)

14. Related parties (continued)

Loans received from VEON Ltd. or its subsidiaries

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

Lender	Borrower	Date of agreement	Maturity	Interest rate	Currency	30 September 2018	31 December 2017
VEON Luxembourg Finance S.A.	PJSC "VimpelCom"	19 May 2017	May, 2022	11.40%	RUB	**95,000**	95,000
VEON Luxembourg Finance S.A.	PJSC "VimpelCom"	19 Jun 2017	Jun, 2022	11.00%	RUB	**40,100**	40,100
VEON Luxembourg Finance S.A.	PJSC "VimpelCom"	11 Oct 2017	Oct, 2022	125% of the key rate	RUB	**15,000**	15,000
VEON Luxembourg Finance S.A.	VEON Georgia, LLC	26 Mar 2015	Mar, 2032	6.50%	USD	**14,973**	13,133
VEON Luxembourg Finance S.A.	PJSC "VimpelCom"	9 Aug 2017	Aug, 2022	125% of the key rate	RUB	**9,454**	9,454
VEON Luxembourg Finance S.A.[1]	VEON Georgia, LLC	9 Jan 2018	Dec, 2018	6.5%	USD	**309**	–
VEON Holdings B.V.[2]	PJSC "VimpelCom"	14 Feb 2013	Feb, 2018	9.60%	RUB	**–**	12,000
VEON Holdings B.V.[3]	PJSC "VimpelCom"	24 Jun 2016	Sep, 2021	5.91%	RMB	**–**	3,750
Total						**174,836**	188,437

[1] On 9 January 2018, "VEON Georgia" LLC signed a short term loan facility agreement with VEON Luxembourg Finance S.A. for the amount of USD 5 million. The interest rate per agreement is 6.5%, the maturity date is 30 June 2018. In the first quarter 2018, "VEON Georgia" LLC drew down USD 5 million (the equivalent of RUB 285 as of the dates of each transaction at the exchange rates provided by the Central Bank of Russia). In the second quarter of 2018 the agreement was prolonged to 31 December 2018;

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

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

Terms and conditions of transactions with related parties

Outstanding balances at period-end are unsecured, settlements occur in cash. During the nine months ended 30 September 2018, 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 2017 and were disclosed in the notes to the respective annual consolidated financial statements other than changes disclosed in Note 15. No triggering events under the existing guarantees in favor of related parties occurred. The Company believes that the probability of these events is remote.

15. Commitments, contingencies and uncertainties

There were no material commitments, contingencies and uncertainties that occurred during the nine-month period ended 30 September 2018 and there were no material changes during the same period to the commitments, contingencies and uncertainties as disclosed in the Group's annual consolidated financial statements as of and for the year ended 31 December 2017 other than changes in the commitments, contingencies and uncertainties disclosed below.

Guarantees in favour of VEON Amsterdam B.V.

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

15. Commitments, contingencies and uncertainties (continued)

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

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

16. Events after the reporting period

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

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 also described in Note 14.