

Consolidated financial statements

**Public Joint Stock Company
“Vimpel-Communications”**

*as of 31 December 2020 and
for the year ended 31 December 2020*

Public Joint Stock Company "Vimpel-Communications"

Consolidated financial statements as of 31 December 2020 and for the year ended 31 December 2020

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Independent Auditor's Report

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

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of Public Joint Stock Company "Vimpel-Communications" (hereinafter referred to as "the Company" or "PJSC VimpelCom") and its subsidiaries (hereinafter collectively referred to as "the Group" or "VimpelCom") as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

VimpelCom's consolidated financial statements comprise:

- the consolidated income statement for the year ended 31 December 2020;
- the consolidated statement of comprehensive income for the year ended 31 December 2020;
- the consolidated statement of financial position as of 31 December 2020;
- the consolidated statement of changes in equity for the year ended 31 December 2020;
- the consolidated statement of cash flows for the year ended 31 December 2020; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

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

Our audit approach

Overview and context

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

Materiality

- Overall materiality: RUB 3,000 million, which represents 2.4% of EBITDA as disclosed in Note 2 to the consolidated financial statements.

Audit scope



- We conducted our work at PJSC VimpelCom in Russia and at the most significant subsidiaries, located in Russia, Uzbekistan and Kazakhstan. The work consisted of full scope audits for those significant subsidiaries and risk assessment procedures and certain specified procedures for less significant subsidiaries in Kyrgyzstan, Georgia and Armenia. Georgia and Armenia subsidiaries were disposed during the year.
- Since some of the functions of VimpelCom, like accounting policies and methodology, valuation, treasury and tax are centralised at the level of VEON Ltd. in the Netherlands our work also included those functions to the extent they are managing, approving and monitoring the related balances and transactions of VimpelCom.
- The group engagement team remotely reviewed the work of the component team covering subsidiaries in Kazakhstan and Uzbekistan.
- Audit coverage of 99% of consolidated EBITDA, 98% of consolidated revenue and 99% of consolidated total assets was obtained from full scope audits.

Key audit matters

- Valuation of goodwill
- Revenue recognition
- Compliance with anti-bribery laws and regulations

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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

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



Materiality

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

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

Overall Group materiality	RUB 3,000 million (2019: RUB 3,600 million)
How we determined it	We used our professional judgement to determine overall materiality. As a basis for our judgment we used 2.4% of EBITDA as disclosed in Note 2 of the consolidated financial statements. EBITDA is defined by the Company as earnings before interest, tax, depreciation, amortization and impairment, loss on disposals for non-current assets, foreign exchange gain or loss and other non-operating losses and gain on sale of subsidiaries.
Rationale for the materiality benchmark applied	Our rationale for determining the most appropriate materiality benchmark was based on our analysis of the common information needs of users of the financial statements. EBITDA is predominantly used by VimpelCom equity and debt holders to assess the financial performance of the Group, given the volatility of the Group's profit before tax. On this basis, we believe that EBITDA is an important metric for the financial performance of the Group and, as such, an appropriate materiality benchmark.
Component materiality	To each component in our audit scope, we, based on our judgement, allocated materiality that is less than or equal to our overall materiality. The range of materiality allocated across components was between RUB 700 million and RUB 3,000 million.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

How we tailored our group audit scope

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

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

Components in Russia, Uzbekistan and Kazakhstan were subjected to audits of their complete financial information as those components are individually significant to the Group. For Uzbekistan and Kazakhstan components we used component auditors from other PwC network firms who are familiar with the local laws and regulations to perform the audit work. For the Russian component, the group engagement team performed the work. For the processes centralised at the level of VEON Ltd. listed above we used PwC network firm in the Netherlands to perform the related audit work.



PJSC VimpelCom engages a service organization in its revenue processes, which is material to the financial statements. Audit work on the IT General Controls of this service organization has been performed by their independent auditor who has prepared report in accordance with ISAE 3402 'Assurance Reports on Controls at a Service Organization'. We assessed the objectivity and competence of the independent auditor of the service organization and reviewed the assurance report that includes the scope and results of the assurance procedures performed. We concluded that we could rely on the assurance report issued by the independent auditor of the service organization in combination with our own testing of complementary user entity controls.

In total, in performing these procedures, we achieved the following coverage:

Revenue	98%
EBITDA	99%
Total assets	99%

None of the remaining components represented individually more than 1% of the total operating revenues or total assets of the Group. For those remaining components we performed, among others, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components as well as specified procedures over certain material balances.

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

The Group engagement team typically visits the component auditors in Kazakhstan while the component auditors from Uzbekistan used to visit Moscow. Due to circumstances surrounding COVID-19, various travel restrictions were imposed worldwide. As such, the Group engagement team performed virtual site reviews for each of these locations, which included our review of selected working papers of the component auditors.

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

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



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of goodwill</p> <p>Note 11 and Note 13</p> <p>VimpelCom has a goodwill balance of RUB 89,209 million as at 31 December 2020.</p> <p>VimpelCom performed its annual goodwill impairment test in accordance with IAS 36 - Impairment of Assets as of 30 September 2020. VimpelCom concluded that RUB 5,436 million of goodwill impairment charges were to be recorded for the cash-generating unit ('CGU') Russia.</p> <p>Management further performed a subsequent triggering events analysis as of 31 December 2020 and determined that no additional goodwill impairment should be recorded.</p> <p>Potential impairment is identified by comparing the recoverable value, in particular the fair value less cost of disposal, of a CGU to the carrying value.</p> <p>Fair value is estimated by management using a discounted cash flow model, based on cash flow projections from business plans prepared by management. In estimating the fair value of the cash-generating units, management uses assumptions relating to the discount rate as well as the projected revenue growth rate, projected operating margin, projected capital expenditure, and the related terminal rates. The Company's assumptions are affected by expected future market conditions and the continuing challenging economic and political environments in the territories where the Company and its subsidiaries operate in and which are inherently uncertain.</p> <p>The focus of our audit effort were the Russia CGU, given the impairment recognized in the current year. The amount of goodwill associated with the Russian CGU as of 31 December 2020 was RUB 83,551 million.</p> <p>We considered this area to be a key audit matter due to the magnitude of the goodwill balance as well as the fact that the determination of the fair</p>	<p>In the context of the annual goodwill impairment test, we have performed procedures, with the help of PwC network valuation specialists, which varied in depth per CGU based on our risk assessment with respect to the volatility of the economic circumstances, the extent of the related goodwill balance as compared to our materiality used and the headroom available between the carrying value and the fair value less costs of disposal. Particular focus was on the Russia CGU with goodwill impaired in the current year.</p> <p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none">• Assessing the appropriateness of management's identification of the Company's CGUs.• Performing a retrospective review of the prior year estimates by comparing the current year actual results to those projected in the prior year.• Testing the composition of future cash flow forecasts by evaluating (i) the current and past performance of the CGUs, (ii) the consistency with external market and industry data, and (iii) the corroboration of strategic initiatives with evidence obtained in other areas of the audit. Specific attention was given to the Russia CGU valuation of strategic initiatives and whether such initiatives could be corroborated from a market participant's perspective and the impact of the macroeconomic environment in Russia on the business plan.• Assessing any indications of management bias in determining the significant assumptions.• Recalculating the carrying values used in the impairment test.



Key audit matter	How our audit addressed the key audit matter
<p>value less costs to dispose is complex, subjective, and, given the estimation uncertainty, requires substantial judgement from management.</p>	<ul style="list-style-type: none"> Assessing the adequacy of the Group's disclosures regarding assumptions and sensitivities as included in Note 11 and Note 13 to the consolidated financial statements. <p>Our procedures did not result in material findings with respect to the valuation of goodwill at 31 December 2020 nor the respective disclosures in the consolidated financial statements.</p>
<hr/>	
<p>Revenue recognition Note 3</p> <p>The total operating revenues of the Group for the year ended 31 December 2020 amounted to RUB 328,168 million and were made up of billions of relatively small transactions in combination with multiple pricing plans. Throughout VimpelCom, there is a large number and wide variety of legacy billing and other operating support systems in the revenue process that result in an increased risk around the accuracy and occurrence of the revenue recorded.</p> <p>The magnitude as well as the increased risk, combined with control deficiencies identified, required substantial audit attention and effort with respect to the controls and substantive test procedures to be performed and assessment of management's remediation of identified deficiencies. Therefore, we continue to consider this a key audit matter.</p>	<p>Our audit approach included controls testing and performing substantive procedures, including data analytics, covering amongst others:</p> <ul style="list-style-type: none"> Updating our understanding of and testing the IT environment in which billing, rating and other relevant support systems reside, including the change management and restricted access procedures in place. Testing the design and operational effectiveness of the revenue and receivable cycle related controls. Assessing the remediation or mitigation of identified control deficiencies. Testing the end-to-end reconciliation from mediation to billing and rating systems to the general ledger. The testing also included tracing material journals, between the billing system or intelligent network systems and the general ledger, to underlying documentation and confirming the rationale. Reconciling the amounts of vouchers and other top-ups with respect to prepaid services to the transactional cash receipts data per the cash system. Performing tests on the accuracy of customer bill generation on a sample basis and testing of a sample of the credits and discounts applied to customer bills. Performing test calls and reconciling these with the billed amounts. Testing cash receipts for a sample of customers back to the customer invoice. <p>Our procedures did not result in material findings with respect to the revenues recorded in the year.</p>



Key audit matter	How our audit addressed the key audit matter
<p data-bbox="277 477 845 506">Compliance with anti-bribery laws and regulations</p> <p data-bbox="277 512 357 542">Note 9</p> <p data-bbox="277 551 855 779">The Group operates in markets which pose increased risks of non-compliance with anti-bribery and corruption laws and regulations. As such, there is a heightened risk of potential liability associated with such non-compliance. We dedicated a significant amount of time in our audit to this increased risk and therefore have also determined this to be a key audit matter.</p>	<p data-bbox="884 551 1458 636">With the assistance of forensic specialists, we have performed, among others, audit procedures including:</p> <ul data-bbox="884 645 1465 1883" style="list-style-type: none"><li data-bbox="884 645 1465 730">• Understanding of the local laws and regulations and applicable industry regulations governing the Company.<li data-bbox="884 739 1465 801">• Understanding various levels of interaction with government officials.<li data-bbox="884 810 1465 1012">• Assessing and testing the internal controls, including, amongst others, the control environment (whistleblower and anti-bribery and compliance training programmes), single source procurement decision procedures and agent/vendor vetting procedures.<li data-bbox="884 1021 1465 1137">• Identifying and testing potentially unusual payments or expenses, relationships with related parties, agents, charities and social organisations, and review of complex contracts.<li data-bbox="884 1146 1465 1375">• Assessing actions undertaken by management upon identification of potential instances of fraud. Our procedures included the use of forensics expertise and testing of selected investigations, including challenging management on the extent of investigation procedures performed to support conclusions reached.<li data-bbox="884 1384 1465 1680">• Attending discussions in the Risk, Ethics and Assurance Committee (REAC) established by the Company and inspecting materials from the Business and Risk Committee (BRC) established by the Company to follow up on the results of internal and external investigations and on the design and effectiveness of the Company's compliance programs and internal controls relating to the prevention and detection of fraud.<li data-bbox="884 1688 1465 1774">• Reading the minutes of the Shareholders and the Board of Directors meetings and other advisory bodies.<li data-bbox="884 1783 1465 1814">• Obtaining external legal confirmations.<li data-bbox="884 1823 1465 1883">• Assessing the adequacy of the Company's disclosures. <p data-bbox="884 1892 1458 2007">Our procedures did not result in material findings with respect to compliance with anti-bribery and corruption laws and regulations or the respective disclosures in the financial statements.</p>



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

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

In preparing the consolidated financial statements, management is responsible for assessing VimpelCom's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate VimpelCom or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



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

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

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

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

AO PricewaterhouseCoopers Audit

30 March 2021

Moscow, Russian Federation



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

Audited entity: Public Joint Stock Company Vimpel-Communications

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

Taxpayer Identification Number 7713076301

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

Independent auditor: AO PricewaterhouseCoopers Audit

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

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

Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association «Sodruzhestvo»

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

Public Joint Stock Company "Vimpel-Communications"

Consolidated income statement
for the year ended 31 December 2020
(All amounts in millions of Rubles)

	Note	For the years ended 31 December	
		2020	2019
Service revenues		299,366	314,061
Sale of equipment and accessories		27,232	29,457
Other revenues		1,570	3,898
Total operating revenues	2,3	328,168	347,416
Other operating income		301	–
Service costs		(76,305)	(71,565)
Cost of equipment and accessories		(26,265)	(29,887)
Selling, general and administrative expenses (including impairment loss on financial assets of RUB 2,937 for 2020 and RUB 2,645 for 2019)	4	(99,436)	(97,659)
Depreciation	12	(71,746)	(71,177)
Amortization	13	(12,232)	(10,617)
Impairment loss	11	(9,951)	(6,768)
Loss on disposals of non-current assets		(2,200)	(2,618)
Gain on sale of subsidiary	14	8,628	–
Operating profit		38,962	57,125
Finance costs		(23,388)	(28,331)
Finance income		2,767	3,652
Net foreign exchange (loss) / gain		(8,593)	228
Other non-operating gain / (loss), net	5	1,730	(3,816)
Profit before tax		11,478	28,858
Income tax expense	10	(5,649)	(11,423)
Profit for the period		5,829	17,435
Profit for the period attributable to:			
The owners of the Company		9,974	19,470
Non-controlling interests	14	(4,145)	(2,035)
		5,829	17,435

Public Joint Stock Company "Vimpel-Communications"

Consolidated statement of comprehensive income
for the year ended 31 December 2020
(All amounts in millions of Rubles)

	Note	For the years ended 31 December	
		2020	2019
Profit for the period		5,829	17,435
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation reserve arising on net investment in foreign operations		3,084	(5,939)
Income tax benefit / (expense)		–	149
Items reclassified to profit or loss:			
Reclassification of accumulated foreign currency translation reserve to profit or loss upon disposal of foreign operation	14	(7,171)	–
Other comprehensive income / (loss) for the year, net of tax		(4,087)	(5,790)
Total comprehensive income / (loss) for the year, net of tax		1,742	11,645
Attributable to:			
Owners of the Company		7,103	12,643
Non-controlling interests		(5,361)	(998)
		1,742	11,645

Public Joint Stock Company "Vimpel-Communications"

Consolidated statement of financial position

as of 31 December 2020

(All amounts in millions of Rubles)

	Note	31 December 2020	31 December 2019
Assets			
Non-current assets			
Property and equipment	12	298,938	278,147
Intangible assets	13	115,774	120,031
Deferred income tax assets	10	817	1,169
Loans, derivatives and other financial assets	15,20	27,121	868
Other non-current assets	8	2,128	1,888
Total non-current assets		444,778	402,103
Current assets			
Inventories	7	7,318	9,756
Trade and other receivables	6	20,860	23,634
Other current assets	8	12,067	11,146
Current income tax assets	10	1,135	558
Loans, derivatives and other financial assets	15,20	33,720	51,786
Cash and cash equivalents	16	12,302	31,498
Total current assets		87,402	128,378
Assets classified as held for sale		–	22
Total assets		532,180	530,503
Equity and liabilities			
Equity			
Equity attributable to equity owners of the Company	18	119,082	138,330
Non-controlling interests	14	38,235	(266)
Total equity		157,317	138,064
Non-current liabilities			
Trade and other payables		2,059	728
Debt, derivatives and other financial liabilities	15,20	223,008	247,280
Provisions	9	3,685	4,556
Deferred income tax liabilities	10	4,549	5,269
Other non-current liabilities	8	486	647
Total non-current liabilities		233,787	258,480
Current liabilities			
Trade and other payables		86,100	77,069
Debt, derivatives and other financial liabilities	15,20	38,341	41,383
Provisions	9	2,042	1,021
Current income tax payables	10	835	1,769
Other current liabilities	8	13,758	12,717
Total current liabilities		141,076	133,959
Total equity and liabilities		532,180	530,503

Public Joint Stock Company "Vimpel-Communications"

Consolidated statement of changes in equity
for the year ended 31 December 2020
(All amounts in millions of Rubles)

Note	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 2019	3	40,234	37,458	122,594	(61,959)	138,330	(266)	138,064
Profit for the period	–	–	–	9,974	–	9,974	(4,145)	5,829
Other comprehensive income / (loss)	–	–	–	–	(2,871)	(2,871)	(1,216)	(4,087)
Total comprehensive income / (loss)	–	–	–	9,974	(2,871)	7,103	(5,361)	1,742
Dividends declared	19	–	–	(20,000)	–	(20,000)	(170)	(20,170)
Transactions under common control (sale of Georgian operations)	14	–	14,775	–	(878)	13,897	13,351	27,248
Transactions under common control (sale of other companies)	14	–	(20,248)	–	–	(20,248)	30,681	10,433
As of 31 December 2020	3	40,234	31,985	112,568	(65,708)	119,082	38,235	157,317

Consolidated statement of changes in equity
for the year ended 31 December 2019
(All amounts in millions of Rubles)

	Attributable to the owners of the Company						Non-controlling interests	Total equity
	Issued capital	Capital surplus	Other capital reserves	Retained earnings	Foreign currency translation reserve	Total		
As of 31 December 2018	3	40,234	37,317	111,341	(55,132)	133,763	3,053	136,816
Adjustments arising due to new accounting standards	–	–	–	(217)	–	(217)	–	(217)
As of 1 January 2019	3	40,234	37,317	111,124	(55,132)	133,546	3,053	136,599
Profit for the period	–	–	–	19,470	–	19,470	(2,035)	17,435
Other comprehensive income / (loss)	–	–	–	–	(6,827)	(6,827)	1,037	(5,790)
Total comprehensive income / (loss)	–	–	–	19,470	(6,827)	12,643	(998)	11,645
Dividends declared	–	–	–	(8,000)	–	(8,000)	(1,824)	(9,824)
Acquisition of non-controlling interests	–	–	141	–	–	141	(497)	(356)
As of 31 December 2019	3	40,234	37,458	122,594	(61,959)	138,330	(266)	138,064

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

Public Joint Stock Company "Vimpel-Communications"

Consolidated statement of cash flows
for the year ended 31 December 2020
(All amounts in millions of Rubles)

	Note	For the years ended 31 December	
		2020	2019
Operating activities			
Profit for the period		5,829	17,435
Income tax expense	10	5,649	11,423
Profit before tax		11,478	28,858
Non-cash adjustments to reconcile profit before tax to net cash flows from operating activities:			
Depreciation	12	71,746	71,177
Impairment loss	11	9,951	6,768
Amortization	13	12,232	10,617
Loss on disposal of non-current assets		2,200	2,618
Gain on sale of subsidiary	14	(8,628)	–
Finance income		(2,767)	(3,652)
Finance costs		23,388	28,331
Other non-operating (gain) / loss, net	5	(1,730)	3,816
Net foreign exchange loss / (gain)		8,593	(228)
Movements in provisions and other movements		893	2,247
Operating cash flows before working capital adjustments, interest and income taxes		127,356	150,552
Working capital adjustments			
Decrease / (increase) in trade and other receivables		(18)	(3,927)
Decrease / (increase) in inventories		2,880	(1,864)
Increase in trade and other payables		1,586	56
Interest and income taxes			
Interest paid		(22,211)	(26,515)
Interest received		2,428	2,296
Income tax paid		(7,376)	(12,435)
Net cash flows from operating activities		104,645	108,163
Investing activities			
Purchase of property, equipment and intangible assets		(83,955)	(69,638)
Proceeds from sale of property, equipment and intangible assets		403	544
Issue of loans	20	(67,674)	(77,349)
Repayment of loans issued	20	87,495	79,115
Inflows / (outflows) from investments in other financial assets		1,387	(1,010)
Inflows from deposits		2,368	1,144
Outflows from deposits		(2,614)	(947)
Acquisition of subsidiary net of cash acquired		(1,419)	–
Divestment of subsidiaries net of cash received	14	2,349	(1)
Net cash flows used in investing activities		(61,660)	(68,142)
Financing activities			
Proceeds from borrowings	15,20	66,000	–
Repayment of borrowings and bonds	15,20	(95,487)	(7,710)
Repayment of lease liabilities	15	(15,691)	(16,387)
Dividends paid to equity holders	19	(20,000)	(8,000)
Dividends paid to non-controlling interests	19	(170)	(1,760)
Repayment associated with early debt redemption		–	(705)
Acquisition of non-controlling interest		–	(356)
Net cash flows used in financing activities		(65,348)	(34,918)
Net (decrease) / increase in cash and cash equivalents		(22,363)	5,103
Effect of exchange rate changes on cash and cash equivalents, net		3,167	(3,025)
Cash and cash equivalents at the beginning of the period		31,498	29,420
Cash and cash equivalents at the end of the period		12,302	31,498

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

Public Joint Stock Company "Vimpel-Communications"

Notes to the consolidated financial statements as of 31 December 2020 and for the year ended 31 December 2020

(All amounts in millions of Rubles unless otherwise stated)

1. General information

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

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

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

VimpelCom generates revenue from the provision of voice, data and other telecommunication services through a range of mobile and fixed-line technologies, as well as selling equipment and accessories. As of 31 December 2020, the Company operated telecommunications services in Russia, Kazakhstan, Uzbekistan and Kyrgyzstan primarily under the "Beeline" brand name.

The consolidated financial statements of the Company as of 31 December 2020 and for the year ended 31 December 2020 were authorized for issue by the General Director of PJSC "VimpelCom" on 29 March 2021.

Major developments during the year ended 31 December 2020

In May 2020, VimpelCom completed the sale of its operations in Georgia (Note 14). In October 2020, VimpelCom completed the sale of its operations in Armenia (Note 14) and sale of other companies (Note 14).

In the third quarter of 2020, VimpelCom recorded impairment losses in respect of its operations in Russia and Kyrgyzstan. For further details please refer to Note 11.

Our working capital is monitored on a regular basis by our management. Although we have a negative working capital our management expects to repay our debt as it becomes due from our operating cash flows and/or through external financing.

Coronavirus Outbreak

The global outbreak of COVID-19 and associated containment and mitigation measures implemented worldwide have had a sustained impact on our operations and financial performance.

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

Although VimpelCom's operations remained impacted by lockdown measures throughout the second half of the year, all operations saw a recovery in the performance as our local businesses continue building resilience to the restrictions related to COVID-19. Demand for our data services remains strong, enabling us to continue to grow our data revenues. We also experienced a shift in data traffic from mobile to fixed networks as lockdowns encouraged remote working and home schooling alongside a greater use of devices through our domestic broadband services.

An increase in demand for hard currencies, in part due to COVID-19, resulted in the devaluation of exchange rates in the countries in which VimpelCom operates. As such, for the year ended 31 December 2020, the net loss of RUB 8,593 was recorded against the foreign exchange loss in the consolidated income statement and the other comprehensive gain of RUB 3,084 was recorded against the foreign currency translation reserve in the consolidated statement of comprehensive income and in the consolidated statement of changes in equity.

Public Joint Stock Company "Vimpel-Communications"

Notes to the consolidated financial statements as of 31 December 2020 and for the year ended 31 December 2020

(All amounts in millions of Rubles unless otherwise stated)

1. General information (continued)

Coronavirus Outbreak (continued)

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

Operating activities of the Group

2. Segment information

Management analyzes the Company's operating segments separately because of different economic environments and stages of development in different geographical areas, requiring different investment and marketing strategies.

Management evaluates the performance of the Company's segments on a regular basis, primarily based on earnings before interest (both finance income and finance costs), income tax, depreciation, amortization, impairment loss, gain / (loss) on disposals of non-current assets, net foreign exchange gain / (loss), other non-operating gain / (loss) ("EBITDA") along with assessing the capital expenditures excluding certain costs such as those for right-of-use assets ("Capital expenditures"). Management does not analyze assets or liabilities by reportable segments.

The Company's reportable segments include "Russia", "Kazakhstan" and "Uzbekistan". The "Other operating companies" column in the tables below includes our operations in Armenia (Note 14), Kyrgyzstan and Georgia (Note 14). 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 years ended 31 December 2020 and 31 December 2019 is presented in the following tables.

Information by reportable segments for the year ended 31 December 2020

	Russia	Kazakhstan	Uzbekistan	Other operating companies	Eliminations and other	Group
Revenue						
External customers	274,377	32,417	14,192	7,082	100	328,168
Inter-segment	214	9	37	170	(430)	-
Total operating revenue	274,591	32,426	14,229	7,252	(330)	328,168
EBITDA	103,817	16,581	4,859	734	472	126,463
Capital expenditures*	73,788	9,355	4,132	2,174	1	89,450

* Excluding right-of-use assets.

Public Joint Stock Company "Vimpel-Communications"

Notes to the consolidated financial statements
as of 31 December 2020 and for the year ended 31 December 2020

(All amounts in millions of Rubles unless otherwise stated)

2. Segment information (continued)

Information by reportable segments for the year ended 31 December 2019

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

* Excluding right-of-use assets.

The following table provides the reconciliation of consolidated EBITDA to consolidated profit for the years ended 31 December 2020 and 31 December 2019:

	2020	2019
EBITDA	126,463	148,305
Depreciation	(71,746)	(71,177)
Amortization	(12,232)	(10,617)
Impairment loss	(9,951)	(6,768)
Loss on disposal of non-current assets	(2,200)	(2,618)
Gain on sale of subsidiary	8,628	–
Finance costs	(23,388)	(28,331)
Finance income	2,767	3,652
Other non-operating gain / (loss), net	1,730	(3,816)
Net foreign exchange (loss) / gain	(8,593)	228
Income tax expense	(5,649)	(11,423)
Profit for the period	5,829	17,435

3. Operating revenue

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

Revenue from contracts with customers

The tables below provide a breakdown of revenue from contracts with customers for the years ended 31 December 2020 and 31 December 2019. In 2020, the Company has presented "Service revenue" (Mobile and Fixed) separately from "Sale of equipment and accessories" and "Other revenue", for each reportable segment. Prior year comparatives have been adjusted to conform to current year presentation.

The following table provides a breakdown of revenue from contracts with customers for the year ended 31 December 2020:

	Russia	Kazakhstan	Uzbekistan	Other operating companies	Eliminations and other	Group
Revenue						
Service revenue including:						
- Mobile	209,110	29,174	14,097	5,622	(72)	257,931
- Fixed	37,680	2,529	82	1,337	(193)	41,435
Sale of equipment and accessories	26,439	536	4	253	–	27,232
Other revenue	1,362	187	46	40	(65)	1,570
Total operating revenue	274,591	32,426	14,229	7,252	(330)	328,168

Public Joint Stock Company "Vimpel-Communications"

Notes to the consolidated financial statements as of 31 December 2020 and for the year ended 31 December 2020

(All amounts in millions of Rubles unless otherwise stated)

3. Operating revenue (continued)

The following table provides a breakdown of revenue from contracts with customers for the year ended 31 December 2019:

	Russia	Kazakhstan	Uzbekistan	Other operating companies	Eliminations and other	Group
Revenue						
Service revenue						
including:						
- Mobile	225,557	25,003	16,523	8,775	(406)	275,452
- Fixed	34,850	2,178	98	1,765	(282)	38,609
Sale of equipment and accessories	28,771	133	7	546	–	29,457
Other revenue*	1,187	2,604	62	84	(39)	3,898
Total operating revenue	290,365	29,918	16,690	11,170	(727)	347,416

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

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

Assets and liabilities arising from contracts with customers

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

	Note	31 December 2020	31 December 2019
Contract balances			
Receivables (billed)	6	21,616	24,498
Contract assets (unbilled)	6	633	595
Contract liabilities			
- Deferred revenue	8	2,615	1,946
- Customer advances	8	2,866	2,904
Capitalized costs			
Customer acquisition costs	8	2,086	1,555

Accounting policies

Revenue from contracts with customers

Service revenue

Service revenue includes revenue from airtime charges from contract and prepaid customers, monthly contract fees, interconnect revenue, roaming charges and charges for value added services ("VAS"). VAS includes short messages, multimedia messages, caller number identification, call waiting, data transmission, mobile internet, downloadable content, mobile finance services, machine-to-machine and other services. The content revenue relating to VAS is presented net of related costs when the Company's performance obligation is to arrange the provision of the services by another party (the Company acts as an agent), and gross when the Company is primarily responsible for fulfilling the obligation to provide such services to the customer.

Public Joint Stock Company "Vimpel-Communications"

Notes to the consolidated financial statements as of 31 December 2020 and for the year ended 31 December 2020

(All amounts in millions of Rubles unless otherwise stated)

3. Operating revenue (continued)

Accounting policies (continued)

Service revenue (continued)

Revenue for services with a fixed-term, including fixed-term tariff plans and monthly subscriptions, is recognized on a straight-line basis over time. For pay-as-you-use plans, in which the customer is charged based on actual usage, revenue is recognized on a usage basis. Some tariff plans allow customers to rollover unused services to the following period. For these tariff plans, revenue is generally recognized on a usage basis.

For contracts which include multiple service components (such as voice, text, data), revenue is allocated based on stand-alone selling price of each performance obligations. The stand-alone selling price for these services is usually determined with reference to the price charged per service under a pay-as-you-use plan to similar customers.

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

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

All service revenue is recognized over time.

Sale of equipment and accessories

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

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

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

Contract balances

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

Contract liabilities, often referred to as "deferred revenue", relate primarily to non-refundable cash received from prepaid customers for fixed-term tariff plans or pay-as-you-use tariff plans. Contract liabilities are presented as "Long-term deferred revenue", "Short-term deferred revenue" and "Customer advances" in Note 8. All current contract liabilities outstanding at the beginning of the year have been recognized as revenue during the year.

Customer acquisition costs

Certain incremental costs incurred in acquiring a contract with a customer ("customer acquisition costs"), are deferred in the consolidated statement of financial position within other assets (Note 8). Such costs generally relate to commissions paid to third-party dealers and are amortized on a straight-line basis over the average customer life, within "Selling, general and administrative expenses".

Public Joint Stock Company "Vimpel-Communications"

Notes to the consolidated financial statements as of 31 December 2020 and for the year ended 31 December 2020

(All amounts in millions of Rubles unless otherwise stated)

3. Operating revenue (continued)

Accounting policies (continued)

Customer acquisition costs (continued)

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

Source of estimation uncertainty

Average customer life

Management estimates the average customer life for revenue (such as upfront fees) from contracts with an indefinite term and for customer acquisition costs. The average customer life is calculated based on historical data, specifically churn rates which are impacted by relevant country or market characteristics, customer demographic and the nature and terms of the product (such as mobile and fixed line, prepaid and postpaid).

4. Selling, general and administrative expenses

Selling, general and administrative expenses consist of the following items for the years ended 31 December 2020 and 31 December 2019:

	2020	2019
Personnel costs	32,848	31,853
Customer associated costs	21,150	22,702
Network and IT costs	24,839	22,340
Taxes other than income tax	7,146	6,425
Services costs and variable part of the other lease payments	4,235	4,408
Consulting and professional service costs	2,062	3,097
Losses on receivables	2,937	2,645
Other general and administrative expenses	4,219	4,189
Total	99,436	97,659

Accounting policies

Leases

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

Customer associated costs

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

Public Joint Stock Company "Vimpel-Communications"

Notes to the consolidated financial statements
as of 31 December 2020 and for the year ended 31 December 2020

(All amounts in millions of Rubles unless otherwise stated)

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

Other non-operating gain / (loss), net consisted of the following items for the years ended 31 December 2020 and 31 December 2019:

	2020	2019
Changes in the fair value of non-hedge derivatives*	1,857	(2,953)
Loss from early debt redemption	–	(719)
Other loss, net	(127)	(144)
Total other non-operating gain / (loss), net	1,730	(3,816)

* Changes in the fair value of non-hedge derivatives relate to derivative transactions entered into by the Company to protect its USD cash outflows from adverse changes in the USD/RUB exchange rate.

6. Trade and other receivables

Trade and other receivables consisted of the following items as of 31 December 2020 and 31 December 2019:

	31 December 2020	31 December 2019
Trade receivables, gross*	22,249	25,093
Expected credit losses	(3,327)	(3,406)
Trade receivables, net	18,922	21,687
Other receivables, net of expected credit losses	1,938	1,947
Total trade and other receivables	20,860	23,634

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

The following table summarizes the movements in the expected credit losses for the years ended 31 December 2020 and 31 December 2019:

	Note	2020	2019
Balance as of 1 January		3,406	3,150
Accruals for expected credit losses		2,937	2,645
Impairment		163	–
Divestment of subsidiaries	14	(201)	–
Accounts receivable written off		(2,479)	(1,775)
Recoveries		(319)	(441)
Foreign currency translation adjustment		(180)	(173)
Balance as of 31 December		3,327	3,406

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

	Contract assets	Current	Days past due			Total
			< 30 days	30-120 days	> 120 days	
As of 31 December 2020						
Trade receivables, gross	633	16,828	1,535	1,103	2,150	22,249
Expected loss rate, %	0.6%	1.7%	17.8%	55.8%	100.0%	
Expected credit losses	(4)	(285)	(273)	(615)	(2,150)	(3,327)
Total trade receivables, net	629	16,543	1,262	488	–	18,922

	Contract assets	Current	Days past due			Total
			< 30 days	30-120 days	> 120 days	
As of 31 December 2019						
Trade receivables, gross	595	16,748	3,176	1,675	2,899	25,093
Expected loss rate, %	1.0%	1.5%	11.6%	44.8%	70.1%	
Expected credit losses	(6)	(251)	(367)	(750)	(2,032)	(3,406)
Total trade receivables, net	589	16,497	2,809	925	867	21,687

Public Joint Stock Company "Vimpel-Communications"

Notes to the consolidated financial statements
as of 31 December 2020 and for the year ended 31 December 2020

(All amounts in millions of Rubles unless otherwise stated)

6. Trade and other receivables (continued)

Accounting policies

Trade and other receivables

Trade and other receivables are measured at amortized cost and include invoiced amounts less expected credit losses.

Expected credit losses

The expected credit loss allowance ("ECL") is recognized for all receivables measured at amortized cost at each reporting date. This means that ECL is recognized for all receivables even though there may not be objective evidence that the trade receivable has been impaired.

VimpelCom applies the simplified approach (i.e. provision matrix) for calculating a lifetime ECL for its trade and other receivables, including unbilled receivables (contract assets). The provision matrix is based on the historical credit loss experience over the life of the trade receivables and is adjusted for forward-looking estimates if relevant. The provision matrix is reviewed on a quarterly basis.

7. Inventories

Inventory consisted of the following items as of 31 December 2020 and 31 December 2019:

	31 December 2020	31 December 2019
Telephone handsets and accessories for sale	7,683	10,583
SIM-Cards	373	442
Other inventories	173	171
Obsolescence allowance	(911)	(1,440)
Total	7,318	9,756

The cost of inventories recognized as an expense was mainly reflected in the line "Cost of equipment and accessories" of the consolidated income statement. Other expenses and write down of inventories reflected in the other lines of the consolidated income statement amounted to RUB 1,215 and RUB 1,187 for the years ended 31 December 2020 and 31 December 2019, respectively.

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

8. Other assets and other liabilities

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

	Note	31 December 2020	31 December 2019
Other non-current assets			
Customer acquisition costs	3	2,086	1,555
Deferred costs related to connection fees		13	102
Advances to suppliers and prepayments		–	134
Input value added tax		–	62
Other non-current assets		29	35
Total other non-current assets		2,128	1,888
Other current assets			
Input value added tax		7,351	6,163
Advances to suppliers		3,612	3,708
Prepaid taxes		871	857
Deferred costs related to connection fees		101	93
Other current assets		132	325
Total other current assets		12,067	11,146

Public Joint Stock Company "Vimpel-Communications"

Notes to the consolidated financial statements
as of 31 December 2020 and for the year ended 31 December 2020

(All amounts in millions of Rubles unless otherwise stated)

8. Other assets and other liabilities (continued)

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

	Note	31 December 2020	31 December 2019
Other non-current liabilities			
Long-term deferred revenue	3	171	227
Other non-current liabilities		315	420
Total other non-current liabilities		486	647
Other current liabilities			
Taxes payable (non-income tax)		4,244	4,262
Amounts due to employees		4,204	3,832
Customer advances	3	2,866	2,904
Short-term deferred revenue	3	2,444	1,719
Total other current liabilities		13,758	12,717

9. Provisions, contingencies and uncertainties

Provisions

The following table summarizes the movements in provisions for the years ended 31 December 2020 and 31 December 2019:

	Note	Decommissioning provision	Non-income tax provisions	Legal and other provisions	Total provisions
As of 31 December 2018		2,978	479	351	3,808
Adoption of IFRS 16		–	–	(154)	(154)
Arising during the year		452	514	47	1,013
Utilized		(48)	(22)	(171)	(241)
Unused amounts reversed		–	(235)	–	(235)
Discount and inflation rate adjustment		1,158	–	–	1,158
Translation adjustment and other movements		16	248	(36)	228
As of 31 December 2019		4,556	984	37	5,577
- Non-current portion		4,556	–	–	4,556
- Current portion		–	984	37	1,021
As of 31 December 2019		4,556	984	37	5,577
Arising during the year		360	2,542	–	2,902
Divestment of subsidiaries	14	(331)	(137)	(10)	(478)
Utilized		(67)	(1,345)	(45)	(1,457)
Unused amounts reversed		195	–	–	195
Discount and inflation rate adjustment		(1,119)	–	–	(1,119)
Translation adjustment and other movements		91	(4)	20	107
As of 31 December 2020		3,685	2,040	2	5,727
- Non-current portion		3,685	–	–	3,685
- Current portion		–	2,040	2	2,042

The timing of payments in respect of provisions is, with some exceptions, not contractually fixed and cannot be estimated with certainty. In addition, with respect to legal proceedings, given inherent uncertainties, there can be no guarantee that the ultimate outcome will be in line with VimpelCom's current expectations. See "Sources of estimation uncertainty" below in this Note for further details regarding assumptions and sources of uncertainty. For further details regarding risks associated with income tax and non-income tax positions, please refer to "Sources of estimation uncertainty" in Note 10.

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

Public Joint Stock Company "Vimpel-Communications"

Notes to the consolidated financial statements as of 31 December 2020 and for the year ended 31 December 2020

(All amounts in millions of Rubles unless otherwise stated)

9. Provisions, contingencies and uncertainties (continued)

Contingencies and uncertainties

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 2020 and 31 December 2019, the outstanding principal amount under the notes was 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) and USD 417 million (the equivalent of RUB 25,815 as of 31 December 2019 at the exchange rate provided by the Central Bank of Russia), respectively. No triggering events under the guarantee occurred. The Company believes that probability of these events is remote.

Other contingencies and uncertainties

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

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

Accounting policy

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted using a current pre-tax rate if the time value of money is significant. Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Source of estimation uncertainty

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

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

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9. Provisions, contingencies and uncertainties (continued)

Domestic and global economy risks

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The Russian economy continues to be negatively impacted by international sanctions against certain Russian companies and individuals. Further, on 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Russian authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. These measures have, among other things, severely restricted economic activity in Russia and have negatively impacted, and could continue to negatively impact businesses, market participants, clients of the Group, as well as the Russian and global economy for an unknown period of time. Management is taking necessary measures to ensure sustainability of the Group's operations (Note 1).

10. Income taxes

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

Income tax payables

As of 31 December 2020 and 31 December 2019, current income tax payables consisted of the following items:

	31 December 2020	31 December 2019
Current tax payable	120	168
Withholding tax payable	372	–
Uncertain tax positions	343	1,601
Total current income tax	835	1,769

The Company is involved in a number of disputes, litigation and regulatory proceedings in the ordinary course of its business, pertaining to income tax claims. Due to the high level of estimation uncertainty, as described in "Source of estimation uncertainty" disclosed below in this Note, it is not practicable for the Company to reliably estimate the financial effect for certain contingencies and therefore no financial effect has been included within the preceding disclosure. The Company does not expect any liability arising from these contingencies to have a material effect on the results of operations, liquidity, capital resources or financial position of the Company, however we note that an unfavorable outcome of some or all of the specific matters could have a material adverse impact on results of operations or cash flows for a particular period. This assessment is based on our current understanding of relevant facts and circumstances. As such, our view of these matters is subject to inherent uncertainties and may change in the future. For further details on with respect to Company's uncertain tax provisions and tax risks, please refer to the "Accounting policies" and "Source of estimation uncertainty" disclosed below in this Note.

Income tax assets

As of 31 December 2020, the Company reported current income tax assets totaling RUB 1,135 (as of 31 December 2019: RUB 558). This mainly relates to advanced tax payments in Uzbekistan and Russia (as of 31 December 2019: in Uzbekistan and Kazakhstan) which can only be offset against income tax liabilities in that relevant jurisdiction, in fiscal periods subsequent to balance sheet date.

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10. Income taxes (continued)

Income tax expense

Income tax expense consisted of the following for the years ended 31 December 2020 and 31 December 2019:

	2020	2019
Current income taxes		
Current income tax charge	5,208	12,503
Withholding tax expenses	797	1,223
Total current income tax	6,005	13,726
Deferred income taxes		
Movement of temporary differences and losses	(2,760)	(2,924)
Adjustments in respect of previous years	2,037	(10)
Current year tax losses unrecognized	9	8
Changes in tax rates	(2)	464
Other deferred tax effects	360	159
Total deferred income tax expense / (benefit)	(356)	(2,303)
Income tax expense reported in the consolidated income statement	5,649	11,423
Consolidated statement of comprehensive income:		
Income tax effect of foreign currency gains / (losses) related to intercompany loans that form part of net investment in foreign operations and decrease of deferred tax asset	-	149
Income tax benefit / (expense) reported in other comprehensive income	-	149

Effective income tax rate

The table below outlines the reconciliation between the statutory tax rate in the Russian Federation and the effective income tax rates for the Group, together with the corresponding amounts, for the years ended 31 December 2020 and 31 December 2019:

	2020		2019	
	11,478	%	28,858	%
Profit before tax				
Income tax expense computed on profit before tax at statutory tax rate	2,296	20.0%	5,772	20.0%
Difference due to the effects of:				
Non-deductible impairment of non-current assets including goodwill	1,542	13.4%	579	2.0%
Tax losses utilization	(1,256)	(10.9%)	(97)	(0.3%)
Other non-deductible expenses net of non-taxable income	(158)	(1.4%)	624	2.2%
Current and deferred tax effect of intragroup dividends	181	1.6%	1,186	4.1%
Refiling of tax returns	(19)	(0.2%)	2,702	9.4%
Uncertain tax positions	(211)	(1.8%)	(1,010)	(3.5%)
Change in income tax rates	(2)	0.0%	464	1.6%
Different tax rates in different jurisdictions	879	7.7%	1,054	3.7%
Effect of prior year adjustments	2,037	17.7%	(10)	0.0%
Others	360	3.1%	159	0.6%
Income tax expense reported in the consolidated income statement	5,649	49.2%	11,423	39.6%

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10. Income taxes (continued)

Explanatory notes to the effective income tax rate

Reason	Explanation 2020	Explanation 2019
Non-deductible impairment of non-current assets including goodwill	The effect of impairment mostly relates to impairment of property and equipment, intangible assets and other assets in Kyrgyzstan in the amount of RUB 4,480 (income tax effect of RUB 448) and impairment of goodwill in Russia in the amount of 5,436 RUB (income tax effect of 1,087) (Note 11).	The effect of impairment relates to impairment of property and equipment, intangible assets and goodwill in Kyrgyzstan in the amount of RUB 5,789 and income tax effect of RUB 579.
Tax losses utilization	In 2020, the effective income tax rate was impacted by a RUB (1,256) change in recognition of deferred tax assets resulting from recognition of previously unrecognized tax losses in Russia and subsidiaries VEON Eurasia S.à r.l., Freevale Enterprises and Silkway	In 2019, the effective income tax rate was impacted by a RUB (97) change in recognition of deferred tax assets resulting from recognition of previously unrecognized tax losses in Swiss holding entities.
Other non-deductible expenses net of non-taxable income	The non-deductible expenses net of non-taxable income have a decreasing effect on the effective income tax rate of RUB (158). The most significant items are nontaxable effect on sale of subsidiaries in Armenia in the amount of RUB (1,726), non-deductible fines and penalties in the amount of RUB 289, non-deductible business expenses in the amount of RUB 267, non-deductible interest expense in the amount of RUB 193, non-deductible depreciation expense of in the amount of RUB 185 and other items in the amount of RUB 524.	The non-deductible expenses net of non-taxable income have an increasing effect on the effective income tax rate of RUB 624. The most significant items RUB 368 effect of foreign exchange results and RUB 136 of nondeductible depreciation expense.
Current and deferred tax effect of intragroup dividends	The effect relates mostly to withholding taxes paid on dividends distributed by Russian and foreign subsidiaries, including tax effect of RUB 277 paid in Uzbekistan and RUB 142 on WHT on intragroup dividends paid in Armenia and Russia. These amounts are net off by correction of tax effect of expected dividends to be paid by foreign subsidiaries in the amount of RUB (238).	The effect relates mostly to withholding taxes paid on dividends distributed by foreign subsidiaries, including tax effect of RUB 600 on intragroup dividends paid in Armenia, RUB 544 paid in Uzbekistan and RUB 73 paid in Kyrgyzstan. These amounts are net off by correction of tax effect of expected dividends to be paid by foreign subsidiaries.
Refiling of tax returns	In 2020, the effect of refiling of tax returns in Russia for previous periods amounts to RUB (19).	In 2019, the effect of refiling of tax returns in Russia for previous periods amounts to RUB 2,702.
Uncertain tax positions	The uncertain tax positions relate to changes in provisions for uncertain income tax positions and mostly relate to Russia of RUB (238) and Kyrgyzstan of RUB 27.	The uncertain tax positions relate to changes in provisions for uncertain income tax positions and mostly relate to Russia of RUB (1,010).
Change in income tax rates	Changes in tax rates effect is not significant and relates to foreign subsidiaries Silkway Holding B.V. and Freevale Enterprises, where the tax rate changed from 21.7% to 25%.	Changes in tax rates impact the valuation of existing temporary differences. The amount of RUB 464 relates to change in tax rates applied to deferred taxes in Armenia and Luxembourg.
Different tax rates in different jurisdictions	Adjustment of RUB 879 is due to different tax rates of countries that are higher or lower compared to the Russian statutory income tax rate of 20%. In 2020, the most significant effects were in Georgia and Kyrgyzstan and amounted to RUB 663 and RUB 184 respectively.	Adjustment of RUB 1,054 is due to different tax rates of countries that are higher or lower compared to the Russian statutory income tax rate of 20%. In 2019, the most significant effects were in Kyrgyzstan and Georgia amounted to RUB 582 and RUB 423, respectively.
Effect of prior year adjustments	Effect of prior year adjustments of RUB 2,037 mostly relates to updated tax positions in Russia in the amount of RUB 600 and prior year adjustment of RUB 1,267 in VEON Eurasia S.à r.l.	Effect of prior year adjustments of RUB (10) mostly relates to updated tax positions in Russia in the amount of RUB 421 and Uzbekistan in the amount of RUB 169 net of by RUB (630) effect in Luxembourg.
Others	Other effect of RUB 360 includes other withholding taxes, effect of minimum taxes and other tax effects.	Other effect of RUB 159 includes effect of minimum taxes and utilization of previously unrecognized tax losses.

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10. Income taxes (continued)

Deferred income taxes

The Group reported the following deferred income tax assets and liabilities in the consolidated statement of financial position as of 31 December 2020 and 31 December 2019:

	31 December 2020	31 December 2019
Deferred income tax assets	817	1,169
Deferred income tax liabilities	(4,549)	(5,269)
Net deferred income tax position	(3,732)	(4,100)

The following table shows the movements of the deferred income tax assets and liabilities in 2020:

	31 December 2020	Charge to profit and loss	Tax rate changes	Changes in composition of the group	Currency translation adjustment	31 December 2019
Property and equipment	(28,605)	166	–	103	(122)	(28,752)
Intangible assets	527	391	–	(9)	27	118
Other non-current assets	(241)	265	–	(16)	13	(503)
Trade accounts receivable	(156)	(41)	–	(97)	26	(44)
Other current assets	(80)	(295)	–	(2)	18	199
Undistributed retained earnings of subsidiaries	(177)	238	–	–	(62)	(353)
Provisions	616	(160)	–	(28)	10	794
Financial liabilities (non-current)	13,267	(884)	–	(56)	91	14,116
Other liabilities (non-current)	311	181	–	(1)	2	129
Trade and other payables	8,143	11	–	244	40	7,848
Other current liabilities	(1,039)	492	–	(280)	27	(1,278)
Other current financial liabilities	3,514	307	–	1	16	3,190
Other movements and temporary differences	74	(4)	–	–	36	42
Tax losses and other carry forwards	11,042	(1,566)	2	–	1,624	10,982
Non recognized deferred tax assets on losses and other carry forwards	(10,928)	1,253	–	–	(1,593)	(10,588)
Net deferred tax position	(3,732)	354	2	(141)	153	(4,100)

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

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

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10. Income taxes (continued)

Unused tax losses and other credits carried forwards

VimpelCom recognizes a deferred tax asset for unused tax losses and other credits carried forwards, to the extent that it is probable that the deferred tax asset will be utilized. The amount and expiry date of unused tax losses and other carry forwards for which no deferred tax asset is recognized as of 31 December 2020 and 31 December 2019 are as follows.

As of 31 December 2020	0-5 years	6-10 years	Indefinite	Total
Tax losses expiry				
Recognized losses	572	–	–	572
Recognized DTA	114	–	–	114
Non-recognized losses	121	11,169	69,475	80,765
Non-recognized DTA	30	2,234	8,664	10,928
As of 31 December 2019	0-5 years	6-10 years	Indefinite	Total
Tax losses expiry				
Recognized losses	1,966	–	–	1,966
Recognized DTA	394	–	–	394
Non-recognized losses	57	11,147	66,924	78,128
Non-recognized DTA	13	2,229	8,346	10,588

Losses mainly relate to holding entity in Luxembourg (2020: RUB 69,475; 2019: RUB 66,924), operating entities in Russia (2020: RUB 11,741; 2019: RUB 11,147) and Uzbekistan (2020: nil; 2019: RUB 1,966).

VimpelCom reports the tax effect of undistributed profits of subsidiaries that will be distributed in the foreseeable future. As of 31 December 2020, the Company recorded a deferred income tax liability of RUB 177 (31 December 2019: RUB 353) relating to the tax effect of the undistributed profits that will be distributed in the foreseeable future in relation to its Uzbekistan operations.

As of 31 December 2020, undistributed earnings of VimpelCom's foreign subsidiaries (outside the Russian Federation) which are indefinitely invested and that will not be distributed in the foreseeable future, amounted to approximately RUB 96,551 (as of 31 December 2019: RUB 85,785). Accordingly, no deferred income tax liability is recognized for this amount of undistributed profits.

Accounting policy

Income taxes

Income tax expense represents the aggregate amount determined on the profit for the period based on current tax and deferred tax. In cases where the tax relates to items that are charged to other comprehensive income or directly to equity, the tax is also charged respectively to other comprehensive income or directly to equity.

Uncertain tax positions

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

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10. Income taxes (continued)

Accounting policy (continued)

Deferred taxation

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

Source of estimation uncertainty

Tax risks

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

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

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

Uncertain tax positions

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

Recoverability of deferred tax assets

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

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Investing activities of the Group

11. Impairment of assets

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 13 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. In addition to the above, the Company also considered the impact of COVID-19 when reviewing for indicators of impairment (Note 1).

Impairment losses

Impairment losses for the years ended 31 December 2020 and 31 December 2019 consisted of the following items:

CGU's	2020				Total impairment loss for 2020	2019				Total impairment loss for 2019
	Property and equipment	Other intangible assets	Goodwill	Other assets		Property and equipment	Other intangible assets	Goodwill		
Russia	(69)	–	5,436	–	5,367	1,135	(162)	–	973	
Kyrgyzstan	3,009	653	–	818	4,480	2,106	201	3,482	5,789	
Kazakhstan	104	–	–	–	104	(7)	–	–	(7)	
Georgia	–	–	–	–	–	13	–	–	13	
Total	3,044	653	5,436	818	9,951	3,247	39	3,482	6,768	

In recent years, Beeline Russia has seen a decline in its subscriber and revenue market share on the back of competitive pressures in the market, which have impacted both revenues and profitability. This underperformance has negatively impacted the fair value of our Russian business, and over time has eroded the existing headroom over the book value of the business. The impact of a weaker Russian ruble, along with ongoing COVID lockdowns and associated travel restrictions, have had a negative impact on consumer spending, which weakened particularly during the third quarter of 2020. Together with a slower than anticipated recovery in Beeline's ARPU, which has in turn impacted our future projected revenue, a revision to our previous estimates has been deemed necessary.

Based on these revisions, VimpelCom recorded an impairment of RUB 5,436 against the carrying value of goodwill in Russia in the third quarter of 2020. The recoverable amount of the CGU 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 the business plans prepared by management.

Also, in the third quarter of 2020, due to the unstable political environment and uncertainties arising with respect to the recoverability of our operating assets in Kyrgyzstan, VimpelCom has fully impaired the carrying value of all operating assets of Kyrgyzstan. As a result, the Company recorded a total impairment loss of RUB 4,480.

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11. Impairment of assets (continued)

Key assumptions

The recoverable amounts of CGUs have been determined based on fair value less costs of disposal calculations using cash flow projections from business plans prepared by management.

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

The tables below show key assumptions used in fair value less costs of disposal calculations for CGUs with material goodwill or those CGUs for which an impairment has been recognized.

Discount rate

The discount rates are initially determined in USD based on the risk-free rate for 20-year maturity bonds of the United States Treasury, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific CGU relative to the market as a whole.

The equity market risk premium and small capitalization premium is sourced from independent market analysts. The systematic risk, beta, represents the median of the raw betas of the entities comparable in size and geographic footprint with the ones of VEON Ltd. ("Peer Group") since the Company is part of VEON Ltd. Group. The debt risk premium is based on the median of Standard & Poor's long-term credit rating of the Peer Group. The weighted average cost of capital is determined based on target debt-to-equity ratios representing the median historical five-year capital structure for each entity from the Peer Group.

The discount rate in functional currency of a CGU is adjusted for the long-term inflation forecast of the respective country in which the business operates, as well as the applicable country risk premium.

CGU	Discount rate (functional currency)	
	2020	2019
Russia	10.1%	9.1%
Kazakhstan	10.3%	9.2%
Kyrgyzstan*	—	14.1%
Uzbekistan	13.8%	14.5%

* In 2020, VimpelCom fully impaired the carrying value of all operating assets of Kyrgyzstan, therefore discount rate was not determined.

Revenue growth rates

The revenue growth rates during the forecast period vary based on numerous factors, including size of market, GDP (Gross Domestic Product), foreign currency projections, traffic growth, market share and others. A long-term growth rate into perpetuity is estimated based on a percentage that is lower than or equal to the country long-term inflation forecast, depending on the CGU.

CGU	Average annual revenue growth rate during the forecast period		Terminal growth rate	
	2020	2019	2020	2019
Russia	4.3%	1.4%	1.8%	1.6%
Kazakhstan	5.3%	5.3%	3.1%	3.3%
Kyrgyzstan*	—	1.6%	—	5.0%
Uzbekistan	3.2%	4.1%	5.1%	6.0%

* In 2020, VimpelCom fully impaired the carrying value of all operating assets of Kyrgyzstan, therefore revenue growth rates were not determined.

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11. Impairment of assets (continued)

Key assumptions (continued)

Operating margin

The Company estimates operating margin calculated based on pre-IFRS 16 EBITDA divided by Total Operating Revenue for each CGU and each future year. The forecasted operating margin is based on the budget and forecast calculations and assumes cost optimization initiatives which are part of on-going operations, as well as regulatory and technological changes known to date, such as telecommunication license issues and price regulation among others.

CGU	Average operating margin during the forecast period		Terminal period operating margin	
	2020	2019	2020	2019
Russia	31.2%	34.7%	35.7%	34.5%
Kazakhstan	49.5%	49.9%	50.0%	50.1%
Kyrgyzstan*	–	31.4%	–	33.0%
Uzbekistan	34.0%	51.4%	34.0%	52.4%

* In 2020, VimpelCom fully impaired the carrying value of all operating assets of Kyrgyzstan, therefore operating margin assumptions were not determined.

CAPEX

Capital expenditure is defined as purchases of property and equipment excluding right-of-use assets and intangible assets excluding goodwill and licenses. The cash flow forecasts for capital expenditure are based on the budgeted and forecasts calculations and include the network roll-outs plans and license requirements.

The cash flow forecasts for license and spectrum payments for each operating company for the initial five years include amounts for expected renewals and newly available spectrum. Beyond that period, a long-run cost of spectrum is assumed. Payments for right-of-use assets are considered in the operating margin as described above.

CGU	Average CAPEX as a percentage of revenue during the forecast period		Terminal period CAPEX as a percentage of revenue	
	2020	2019	2020	2019
Russia	27.9%	19.9%	21.0%	18.5%
Kazakhstan	19.8%	20.0%	19.0%	19.5%
Kyrgyzstan*	–	26.9%	–	20.0%
Uzbekistan	21.4%	19.4%	21.0%	20.1%

* In 2020, VEON fully impaired the carrying value of all operating assets of Kyrgyzstan, therefore CAPEX assumptions were not determined.

Sensitivity to changes in assumptions

The following table illustrates the potential additional impairment for the Russia CGU 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”).

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11. Impairment of assets (continued)

Key assumptions (continued)

Sensitivity to changes in assumptions (continued)

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	Russia		
	Assumption used*	+/- 1.0 pp	Break-even**
Discount rate	10.1%	11.1%	10.1%
Change in key assumption	0.0 pp	1.0 pp	0.0 pp
Impairment	–	(37,691)	–
Average annual revenue growth rate	3.9%	2.9%	3.9%
Change in key assumption	0.0 pp	(1.0) pp	0.0 pp
Impairment	–	(19,921)	–
Average operating margin	32.0%	31.1%	32.0%
Change in key assumption	0.0 pp	(1.0) pp	0.0 pp
Impairment	–	(29,882)	–
Average CAPEX / revenue	26.8%	27.8%	26.8%
Change in key assumption	0.0 pp	1.0 pp	0.0 pp
Impairment	–	(30,280)	–

* Combined average based on explicit forecast period of five years (2021-2025) and terminal period (2026), excludes intervening period of 2020;

** Following the recognition of an impairment loss in the third quarter of 2020, the book value of the Russia CGU is equal to its recoverable amount. As such, the "break-even" assumptions for the Russia are equivalent to the Assumptions used.

Source of estimation uncertainty

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

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

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

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

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12. Property and equipment

The following table summarizes the movements in property and equipment for the years ended 31 December 2020 and 31 December 2019:

Property and equipment	Telecom- munication equipment	Land, buildings and constructions	Office and other equipment	Equipment not installed and assets under construction	Right-of- use assets	Total
Net book value						
As of 31 December 2018	147,947	8,574	22,592	14,782	–	193,895
Right-of-use assets - adjustments due to IFRS 16 adoption	(4,777)	–	–	–	92,408	87,631
As of 1 January 2019	143,170	8,574	22,592	14,782	92,408	281,526
Additions	2,953	(54)	225	62,952	5,890	71,966
Disposals	(2,040)	(50)	(369)	(638)	(848)	(3,945)
Depreciation charge	(43,042)	(1,352)	(7,036)	–	(19,747)	(71,177)
Impairment	(1,868)	(50)	(188)	(1,043)	(98)	(3,247)
Transfers	50,703	1,323	6,498	(58,195)	(329)	–
Reassessments and modifications	–	–	–	–	8,461	8,461
Reclassification from assets held for sale	–	1	–	–	–	1
Other movements	–	278	–	–	–	278
Translation adjustment	(3,338)	(180)	(485)	(613)	(1,100)	(5,716)
As of 31 December 2019	146,538	8,490	21,237	17,245	84,637	278,147
- Cost	466,057	19,957	73,786	24,496	106,016	690,312
- Accumulated depreciation and impairment	(319,519)	(11,467)	(52,549)	(7,251)	(21,379)	(412,165)
As of 31 December 2019	146,538	8,490	21,237	17,245	84,637	278,147
Additions	(1,233)	123	426	77,442	9,287	86,045
Acquisition of a subsidiary	283	–	26	17	174	500
Divestment of subsidiaries (Note 14)	(4,006)	(184)	(242)	(557)	(2,156)	(7,145)
Disposals	(1,959)	(59)	(598)	(645)	233	(3,028)
Depreciation charge	(43,708)	(1,283)	(7,065)	–	(19,690)	(71,746)
Impairment (Note 11)	(2,002)	(53)	(157)	(473)	(359)	(3,044)
Transfers	54,720	97	7,278	(62,151)	25	(31)
Reassessments and modifications*	–	–	–	–	16,401	16,401
Reclassification from assets held for sale	–	11	–	–	–	11
Translation adjustment	1,581	172	217	272	586	2,828
As of 31 December 2020	150,214	7,314	21,122	31,150	89,138	298,938
- Cost	468,511	16,486	77,311	37,838	127,880	728,026
- Accumulated depreciation and impairment	(318,297)	(9,172)	(56,189)	(6,688)	(38,742)	(429,088)
As of 31 December 2020	150,214	7,314	21,122	31,150	89,138	298,938

* Most of the amount relates to lease term reassessment in Russia (Note 15).

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12. Property and equipment (continued)

The following table summarizes the movements in the net book value of right-of-use assets ("ROU") for the years ended 31 December 2020 and 31 December 2019:

	Telecom- munication equipment	Land, buildings and constructions	Office and other equipment	Total
Right-of-use assets				
Net book value				
As of 1 January 2019	68,987	23,241	180	92,408
Additions	5,147	671	72	5,890
Disposals	(504)	(343)	(1)	(848)
Depreciation charge	(11,919)	(7,719)	(109)	(19,747)
Impairment	–	(98)	–	(98)
Transfers	947	(1,179)	(97)	(329)
Modifications and reassessments	5,548	2,885	28	8,461
Translation adjustment and other movements	(865)	(213)	(22)	(1,100)
As of 31 December 2019	67,341	17,245	51	84,637
- Cost	80,985	24,874	157	106,016
- Accumulated depreciation and impairment	(13,644)	(7,629)	(106)	(21,379)
As of 31 December 2019	67,341	17,245	51	84,637
Additions	8,741	474	72	9,287
Acquisitions of subsidiary	134	36	4	174
Divestment of subsidiaries (Note 14)	(1,982)	(174)	–	(2,156)
Disposals	(21)	253	1	233
Depreciation charge	(13,553)	(6,086)	(51)	(19,690)
Impairment (Note 11)	(111)	(248)	–	(359)
Transfers	7	18	–	25
Modifications and reassessments	9,866	6,505	30	16,401
Translation adjustment and other movements	520	69	(3)	586
As of 31 December 2020	70,942	18,092	104	89,138
- Cost	97,008	30,610	262	127,880
- Accumulated depreciation and impairment	(26,066)	(12,518)	(158)	(38,742)
As of 31 December 2020	70,942	18,092	104	89,138

Non-cash investing activities

During 2020, VimpelCom acquired property and equipment in the amount of RUB 25,989 (2019: RUB 19,142), which were not paid for as of year-end.

Capital commitments

Capital commitments for the future purchase of equipment as of 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Less than 1 year	45,712	34,926
Between 1 and 3 years	1,430	1,120
Total	47,142	36,046

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12. Property and equipment (continued)

Capital commitments arising from telecom licenses

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

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

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

Accounting policies

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

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The useful life of VimpelCom's assets generally fall within the following ranges:

Class of property and equipment	Useful life
Telecommunication equipment	3-20 years
Buildings and constructions	10-20 years
Office and other equipment	3-10 years
Right-of-use assets	Equivalent lease term

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

Right-of-use assets

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

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

The lease liability was measured upon initial recognition at the present value of the future lease and related fixed services payments over the lease term, discounted at the company specific incremental borrowing rate adjusted for the country risk. Generally, the Company uses its incremental borrowing rate as the discount rate. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

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

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

Leases of non-core assets and not related to the main operating activities of the Group, which are short term in nature (less than 12 months including extension options) and leases of low-value items are expensed in the consolidated income statement as incurred.

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12. Property and equipment (continued)

Source of estimation uncertainty

Depreciation and amortization of non-current assets

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

The useful lives of property and equipment and intangible assets are reviewed at least annually, taking into consideration the factors mentioned above and all other relevant factors. Estimated useful lives for similar types of assets may vary between different entities in the Group due to local factors such as growth rate, maturity of the market, historical and expected replacements or transfer of assets and quality of components used. Estimated useful life for right-of-use assets is directly impacted by the equivalent lease term, refer to Note 15 for more information regarding Source of estimation uncertainty for lease terms.

13. Intangible assets

The following table summarizes the movements in intangible assets for the years ended 31 December 2020 and 31 December 2019:

	Telecommu- nications licenses, frequencies and permissions	Software	Customer relation- ships	Other intangible assets	Goodwill	Total
Intangible assets						
Net book value						
As of 31 December 2018	13,978	10,740	2,246	1,593	97,729	126,286
Adjustments due to IFRS 16 adoption	–	–	–	(1,038)	–	(1,038)
As of 1 January 2019	13,978	10,740	2,246	555	97,729	125,248
Additions	2,118	7,838	–	786	–	10,742
Disposals	(1)	(19)	–	(1)	–	(21)
Amortization	(3,029)	(7,054)	(408)	(126)	–	(10,617)
Impairment	(149)	110	–	–	(3,482)	(3,521)
Transfers	26	115	–	(141)	–	–
Translation adjustment	(399)	(335)	–	(35)	(1,031)	(1,800)
As of 31 December 2019	12,544	11,395	1,838	1,038	93,216	120,031
- Cost	38,891	35,175	19,600	11,191	113,155	218,012
- Amortization and impairment	(26,347)	(23,780)	(17,762)	(10,153)	(19,939)	(97,981)
As of 31 December 2019	12,544	11,395	1,838	1,038	93,216	120,031
Additions	2,863	9,585	–	244	–	12,692
Acquisitions of subsidiary	–	38	405	257	1,003	1,703
Divestment of subsidiaries (Note 14)	(407)	(387)	(504)	(43)	–	(1,341)
Disposals	–	–	–	–	1	1
Amortization	(3,295)	(8,524)	(290)	(123)	–	(12,232)
Impairment (Note 11)	(433)	(220)	–	–	(5,436)	(6,089)
Transfers	10	129	(46)	(61)	(1)	31
Translation adjustment	258	282	–	12	426	978
As of 31 December 2020	11,540	12,298	1,403	1,324	89,209	115,774
- Cost	35,252	33,514	19,259	8,371	108,310	204,706
- Amortization and impairment	(23,712)	(21,216)	(17,856)	(7,047)	(19,101)	(88,932)
As of 31 December 2020	11,540	12,298	1,403	1,324	89,209	115,774

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13. Intangible assets (continued)

Goodwill

The movements in goodwill for the Group, per cash generating unit ("CGU"), consisted of the following items for the years ended 31 December 2020 and 31 December 2019:

	Russia	Kazakhstan	Uzbekistan	Kyrgyzstan	Total
31 December 2018	87,984	4,493	1,531	3,721	97,729
Impairment	–	–	–	(3,482)	(3,482)
Currency translation adjustment	–	(458)	(334)	(239)	(1,031)
31 December 2019	87,984	4,035	1,197	–	93,216
Acquisition of subsidiary	1,003	–	–	–	1,003
Impairment (Note 11)	(5,436)	–	–	–	(5,436)
Currency translation adjustment	–	326	100	–	426
31 December 2020*	83,551	4,361	1,297	–	89,209

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

Non-cash investing activities

During 2020, VimpelCom acquired intangible assets in the amount of RUB 2,222 (2019: RUB 1,227), which was not paid for as at respective year end.

Capital commitments

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

	31 December 2020	31 December 2019
Less than 1 year	1,473	4,299
Between 1 and 3 years	–	327
Total	1,473	4,626

Accounting policies

Intangible assets acquired separately are carried at cost less accumulated amortization and impairment losses.

Intangible assets with a finite useful life are generally amortized with the straight-line method over the estimated useful life of the intangible asset. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least annually. The useful of life of VimpelCom's intangible assets generally fall within the following ranges:

Class of intangible assets	Useful life
Telecommunications licenses, frequencies and permissions	3-20 years
Software	3-4 years
Brands and trademarks	4-10 years
Customer relationships	5-17 years
Other intangible assets	3-10 years

Goodwill is recognized for the future economic benefits arising from net assets acquired that are not individually identified and separately recognized. Goodwill is not amortized but is tested for impairment annually and as necessary when circumstances indicate that the carrying value may be impaired (Note 11).

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13. Intangible assets (continued)

Source of estimation uncertainty

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

Depreciation and amortization of non-current assets

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

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

14. Investments in subsidiaries

The consolidated financial statements of the Group include the following subsidiaries as of 31 December 2020 and 31 December 2019 as detailed in the table below. The equity interest presented represents the economic rights available to the Company.

Name of key subsidiaries	Country of operation	Nature of subsidiary	Ownership interest held by the Group	
			2020	2019
KaR-Tel, LLP	Kazakhstan	Operating	75.0%	75.0%
KazEuroMobile, LLP	Kazakhstan	Operating	75.0%	75.0%
Unitel, LLC	Uzbekistan	Operating	100.0%	100.0%
Buzton, LLC*	Uzbekistan	Operating	11.2%	55.4%
Sky Mobile, LLC	Kyrgyzstan	Operating	50.1%	50.1%
West Call Ltd, LLC	Russia	Operating	100.0%	–
Ararima Enterprises Limited	Cyprus	Holding	100.0%	100.0%
Limnotex Developments Ltd.	Cyprus	Holding	71.5%	71.5%
Nouse Limited	Cyprus	Holding	100.0%	100.0%
Menacrest AG	Switzerland	Holding	50.1%	50.1%
VEON Eurasia S.à.r.l.	Luxemburg	Holding	100.0%	100.0%
Silkway Holding B.V.	The Netherlands	Holding	100.0%	100.0%
VimpelCom Holding Laos B.V.	The Netherlands	Holding	100.0%	100.0%
Freevale Enterprises	BVI	Holding	100.0%	100.0%
VIP Kazakhstan Holding AG	Switzerland	Holding	75.0%	75.0%
VIP Kyrgyzstan Holding AG	Switzerland	Holding	50.1%	50.1%
Golden Telecom Inc. (voting rights: 85,922%)**	USA (Delaware)	Holding	20.2%	100.0%
VEON Georgia, LLC	Georgia	Operating	–	51.0%
Bardym Enterprises Ltd.	Cyprus	Holding	–	100.0%
Rascom, CJSC	Russia	Operating	–	54.0%
Sovintel Group, LLC	Russia	Holding	–	100.0%
Kubtelecom, LLC	Russia	Operating	–	100.0%
Cubintersvyaz, JSC	Russia	Operating	–	68.4%
Sakhalin Telecom, LLC	Russia	Operating	–	99.2%
VEON Armenia, CJSC	Armenia	Operating	–	100.0%

* As of 31 December 2020 and 31 December 2019 55.4% stake in Buzton, LLC of was owned by Golden Telecom Inc.;

** As of 31 December 2020, the Group continued to control Golden Telecom Inc. and its subsidiaries.

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14. Investments in subsidiaries (continued)

Sale of Armenian operations

In October 2020, PJSC "VimpelCom" concluded an agreement for the sale of CJSC "VEON Armenia", VimpelCom's operating subsidiary in Armenia. Under the agreement, on 29 October 2020, PJSC "VimpelCom" transferred 100% of shares in CJSC "VEON Armenia" to "TEAM", LLC in exchange for purchase consideration of USD 51 million (RUB 3,955). As of 29 October 2020, the net assets of CJSC "VEON Armenia" amounted to RUB 2,498. The effect of the divestment is detailed below:

	Amount
Net cash consideration received (USD 51 million)	3 955
Derecognition of assets:	
- Property and equipment	(2,411)
- Intangible assets	(470)
- Trade and other receivables	(470)
- Other assets	(569)
- Cash and cash equivalents	(1,008)
	(4,928)
Derecognition of liabilities:	
- Lease Liabilities	793
- Trade and other payables	1,169
- Provisions	352
- Other liabilities	116
	2,430
Release cumulative other comprehensive income	7,171
Gain on sale of subsidiary	8,628

The financial performance information of Armenian operations (after excluding intra-group transactions) presented below are for the period of 2020 ended 29 October 2020 ("2020" column) and for the year ended 31 December 2019 ("2019" column).

Summarized Income statement

	2020	2019
Operating revenue	3,086	4,539
Other operating income	4	-
Service costs	(304)	(612)
Cost of equipment and accessories	(240)	(528)
Selling, general and administrative expenses	(1,625)	(2,070)
Depreciation	(399)	(386)
Amortization	(97)	(61)
(Loss) / gain on disposal of non-current assets	(76)	15
Operating profit	349	897
Finance costs	(69)	(88)
Finance income	45	448
Foreign exchange gain / (loss), net	13	(146)
Other non-operating loss, net	(5)	(8)
Profit before income tax	333	1,103
Income tax expense	(279)	(8)
Profit for the period	54	1,095
Attributable to:		
The owners of the Company	54	1,095
Non-controlling interests	-	-

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14. Investments in subsidiaries (continued)

Transactions under common control

Sale of Georgian operations

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

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

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

Summarized Income statement

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

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14. Investments in subsidiaries (continued)

Transactions under common control (continued)

Sale of other companies

On 15 October 2020, Golden Telecom Inc. (a subsidiary of the Company) entered into a share purchase agreement (the "Agreement") for the sale of Bardym Enterprises Ltd., which held (directly and indirectly) our 100% stake in LLC "Sovintel Group", 54% stake in JSC "Raskom" (an operating company in Russia), 100% stake in LLC "Kubtelecom" (an operating company in Russia), 68.4% stake in JSC "Cubintersvyaz" (an operating company in Russia), 99.2% stake in LLC "Sakhalin Telecom" (an operating company in Russia) and 79.776% shares (voting rights: 14.078%) in Golden Telecom Inc. Under the Agreement, on 15 October 2020, Golden Telecom Inc. transferred 100% of shares in Bardym Enterprises Ltd. to VEON Holdings B.V. (a subsidiary of VEON Ltd. and related party of the Group) in exchange for a purchase consideration of USD 360 million (the equivalent of RUB 27,819 as of 15 October 2020 at the exchange rate provided by the Central Bank of Russia). As of 15 October 2020, the aggregate net assets of disposed subsidiaries amounted to RUB 17,386. On 27 October 2020, Golden Telecom Inc. and VEON Holdings B.V. have agreed that the outstanding consideration of USD 360 million under the Agreement shall be deemed to be a loan (Note 20). The effect of the divestment is detailed below:

Consideration receivable (USD 360 million)	Amount
	27,819
Derecognition of assets:	
- Property and equipment	(2,721)
- Intangible assets	(498)
- Trade and other receivables due from PJSC "VimpelCom"	(951)
- Trade and other receivables, other companies	(415)
- Loans granted to PJSC "VimpelCom", principal amount	(12,654)
- Loans granted to PJSC "VimpelCom", interest receivable	(1,615)
- Other assets	(221)
- Cash and cash equivalents	(249)
	(19,324)
Derecognition of liabilities:	
- Lease Liabilities	918
- Trade and other payables	246
- Other liabilities	774
	1,938
Derecognition of non-controlling interests	910
Recognition of non-controlling interests of Golden Telecom Inc. and its subsidiaries	(31,591)
	(30,681)
Total effect of the divestment	(20,248)

The financial performance information of other companies (after excluding intra-group transactions) presented below are for the period of 2020 ended 15 October 2020 ("2020" column) and for the year ended 31 December 2019 ("2019" column).

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14. Investments in subsidiaries (continued)

Transactions under common control (continued)

Summarized Income statement

	2020	2019
Operating revenue	1,290	1,618
Other operating income	1	–
Service costs	(366)	(419)
Cost of equipment and accessories	(1)	(2)
Selling, general and administrative expenses	(404)	(432)
Depreciation	(488)	(702)
Amortization	(21)	(35)
Impairment loss	(605)	–
Gain on disposal of non-current assets	–	7
Operating (loss) / profit	(594)	35
Finance costs	(50)	(73)
Finance income	7	8
Foreign exchange gain, net	683	1,029
Other non-operating (loss) / gain, net	(9)	4
Profit before income tax	37	1,003
Income tax expense	(131)	(206)
(Loss) / profit for the period	(94)	797
Attributable to:		
The owners of the Company	54	620
Non-controlling interests	(148)	177

Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests ("NCIs") for the years ended 31 December 2020 and 31 December 2019 is provided below:

Name of subsidiaries	Country of operation	Equity interest held by NCIs		Book values of NCIs		Profit / (loss) attributable to NCIs	
		2020	2019	2020	2019	2020	2019
KaR-Tel, LLP	Kazakhstan	25.0%	25.0%	5,587	5,095	1,911	1,733
Sky Mobile, LLC	Kyrgyzstan	49.9%	49.9%	(443)	2,132	(7,408)	(2,852)
Golden Telecom Inc. ("GTI"), voting rights: 85,92%	USA (Delaware)	79.8%	–	29,892	–	496	–
VEON Georgia, LLC	Georgia	–	49.0%	–	(11,038)	(2,293)	(1,046)

The summarized financial information of these subsidiaries before intercompany eliminations for the years ended 31 December 2020 and 31 December 2019 are detailed below.

Summarized income statements

	KaR-Tel, LLP		Sky Mobile, LLC		VEON Georgia, LLC		GTI	
	2020	2019	2020	2019	2020	2019	2020	2019
Operating revenue	32,170	29,840	3,306	4,100	2,472	2,505	–	–
Operating expenses	(22,705)	(20,639)	(13,752)	(3,951)	(1,960)	(1,800)	(18)	(24)
Impairment loss	(104)	–	(4,480)	(5,787)	–	(13)	–	–
Other income / (expenses)	306	(364)	71	(84)	(5,183)	(2,807)	746	(810)
Profit / (loss) before tax	9,667	8,837	(14,855)	(5,722)	(4,671)	(2,115)	728	(834)
Income tax expense	(2,024)	(1,904)	3	7	(9)	(19)	(107)	(54)
Profit / (loss) for the year	7,643	6,933	(14,852)	(5,715)	(4,680)	(2,134)	621	(888)
Attributed to:								
Owners of the Company	5,732	5,200	(7,444)	(2,863)	(2,387)	(1,088)	125	–
Non-controlling interest	1,911	1,733	(7,408)	(2,852)	(2,293)	(1,046)	496	–

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14. Investments in subsidiaries (continued)

Material partly-owned subsidiaries (continued)

Summarized statements of financial position

	KaR-Tel, LLP		Sky Mobile, LLC		VEON Georgia, LLC		GTI	
	2020	2019	2020	2019	2020	2019	2020	2019
Property and equipment	20,399	16,781	–	3,065	–	1,699	3	3
Intangible assets	11,283	9,372	–	334	–	359	–	–
Loans granted to related parties, non-current	–	668	–	–	–	–	26,742	–
Other non-current assets	1,320	938	–	175	–	132	–	–
Trade and other receivables	1,516	1,106	–	218	–	278	126	368
Cash and cash equivalents	2,706	2,441	973	1,277	–	363	10	18
Loans granted to related parties, current	388	–	–	–	–	–	10,598	8,609
Other current assets	1,953	700	–	1,164	–	163	5	19
Bank loans	(879)	–	–	–	–	–	–	–
Loans received from related parties	(231)	–	–	–	–	(23,582)	–	–
Other financial liabilities	(4,372)	(3,875)	(290)	(428)	–	(684)	–	–
Trade and other payables	(10,177)	(6,723)	(891)	(1,269)	–	(1,076)	–	–
Provisions	(451)	(365)	(485)	(93)	–	(115)	–	–
Other liabilities	(1,107)	(657)	(195)	(171)	–	(64)	(25)	–
Total equity	22,348	20,386	(888)	4,272	–	(22,527)	37,459	9,017
Attributed to:								
Owners of the Company	16,761	15,291	(445)	2,140	–	(11,489)	7,567	9,017
Non-controlling interests	5,587	5,095	(443)	2,132	–	(11,038)	29,892	–

Summarized cash flow statements

	KaR-Tel, LLP		Sky Mobile, LLC		VEON Georgia, LLC		GTI	
	2020	2019	2020	2019	2020	2019	2020	2019
Net operating cash flows	13,302	12,883	1,108	1,069	1,178	996	(86)	(659)
Net investing cash flows	(6,350)	(5,385)	(1,364)	(989)	(740)	(581)	72	668
Net financing cash flows	(7,165)	(6,664)	(193)	(1,558)	(586)	(207)	–	–
Net foreign exchange difference	478	(382)	145	(255)	45	(45)	7	(2)
Net increase / (decrease) in cash and cash equivalents	265	452	(304)	(1,733)	(103)	163	(7)	7

Accounting policies

Transactions under common control

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

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

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

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Financing activities of the Group

15. Financial assets and liabilities

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

	Note	31 December 2020	31 December 2019
Loans, derivatives and other financial assets			
At amortized cost			
- Loans granted to related parties, principal amount	20	57,776	51,659
- Loans granted to related parties, interest receivable		221	291
Loans granted to related parties		<u>57,997</u>	<u>51,950</u>
Loans granted to owners of the non-controlling interests		1,975	-
Other financial assets		869	704
Total loans, derivatives and other financial assets		<u>60,841</u>	<u>52,654</u>
- Non-current		27,121	868
- Current		<u>33,720</u>	<u>51,786</u>

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

	Note	31 December 2020	31 December 2019
Debt, derivatives and other financial liabilities			
At fair value			
- Foreign exchange contracts		-	659
Derivatives not designated as hedges		<u>-</u>	<u>659</u>
At amortized cost			
- Loans payables to related parties, principal amount	20	142,318	173,978
- Loans payables to related parties, interest payable		2,275	9 450
- Unamortised fees on loans payables to related parties		-	(429)
Loans payables to related parties		<u>144,593</u>	<u>182,999</u>
- Bonds, principal amount		20,057	17,321
- Bonds, interest payable		631	534
- Unamortised fees on bonds		(10)	(20)
Bonds		<u>20,678</u>	<u>17,835</u>
- Bank loans, principal amount		886	-
- Bank loans, interest payable		5	-
Bank loans		<u>891</u>	<u>-</u>
Lease liabilities		95,091	87,090
Other financial liabilities		96	80
		<u>261,349</u>	<u>288,004</u>
Total debt, derivatives and other financial liabilities		<u>261,349</u>	<u>288,663</u>
- Non-current		223,008	247,280
- Current		<u>38,341</u>	<u>41,383</u>

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15. Financial assets and liabilities (continued)

Reconciliation of cash flows from financing activities

	Bonds	Loans received from related parties	Bank loans	Lease liabilities	Unamortised fees	Other	Total
As of 31 December 2019	17,855	183,428	–	87,090	(449)	80	288,004
- Principal amount	17,321	173,978	–	86,817	(449)	77	277,744
- Interest payable	534	9,450	–	273	–	3	10,260
Cash flows							
Proceeds from borrowings	–	65,120	880	–	–	–	66,000
Repayment of borrowings and lease liabilities	(401)	(95,010)	–	(15,691)	–	(76)	(111,178)
Interest paid	(1,423)	(14,030)	–	(6,758)	–	–	(22,211)
	(1,824)	(43,920)	880	(22,449)	–	(76)	(67,389)
Non-cash movements							
Interest accrued	1,516	14,746	4	6,795	–	–	23,061
Lease - additions, disposals, modifications, reassessments, acquisition of subsidiaries and other movements	–	–	–	25,048	–	–	25,048
Divestment of subsidiaries (Note 14)	–	(14,169)	–	(2,403)	–	–	(16,572)
Foreign currency translation	3,141	4,508	7	1,010	–	5	8,671
Other non-cash movements	–	–	–	–	439	87	526
As of 31 December 2020	20,688	144,593	891	95,091	(10)	96	261,349
- Principal amount	20,057	142,318	886	94,850	(10)	96	258,197
- Interest payable	631	2,275	5	241	–	–	3,152

	Bonds	Loans received from related parties	Lease liabilities	Unamortised fees	Other	Equipment financing and finance lease	Total
As of 31 December 2018	19,901	193,652	–	(656)	148	3,342	216,387
- Principal amount	19,303	183,703	–	(656)	148	3,338	205,836
- Interest payable	598	9,949	–	–	–	4	10,551
Adjustments due to IFRS 16 adoption	–	–	90,986	–	(148)	(3,342)	87,496
As of 1 January 2019	19,901	193,652	90,986	(656)	–	–	303,883

	Bonds	Loans received from related parties	Lease liabilities	Unamortised fees	Other	Equipment financing and finance lease	Total
Cash flows							
Repayment of borrowings and lease liabilities	–	(7,710)	(16,387)	–	–	–	(24,097)
Interest paid	(1,375)	(18,325)	(6,815)	–	–	–	(26,515)
Repayment associated with early debt redemption	–	(705)	–	–	–	–	(705)
	(1,375)	(26,740)	(23,202)	–	–	–	(51,317)
Non-cash movements							
Interest accrued	1,381	19,019	7,108	–	–	–	27,508
Lease - additions, disposals, modifications, reassessments and other movements	–	–	13,076	–	–	–	13,076
Loss from early debt redemption	–	705	–	14	–	–	719
Foreign currency translation	(2,052)	(3,208)	(878)	–	–	–	(6,138)
Other non-cash movements	–	–	–	193	80	–	273
As of 31 December 2019	17,855	183,428	87,090	(449)	80	–	288,004
- Principal amount	17,321	173,978	86,817	(449)	77	–	277,744
- Interest payable	534	9,450	273	–	3	–	10,260

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15. Financial assets and liabilities (continued)

Bonds

The Company had the following principal amounts outstanding for bonds as of 31 December 2020 and 31 December 2019:

Borrower	Type of bonds	Interest rate	Maturity	Currency	31 December 2020	31 December 2019
PJSC "VimpelCom", via "VIP Finance Ireland"	Eurobonds	7.75%	2021	USD	19,356	16,219
PJSC "VimpelCom"	Ruble bonds	6.20%	2022	RUB	213	597
PJSC "VimpelCom"	Ruble bonds	5.55%	2025	RUB	488	505
Total bonds, principal amount					20,057	17,321
- Non-current portion					701	16,219
- Current portion					19,356	1,102

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

On 1 October 2020, PJSC "VimpelCom" announced the reset of the coupon rate on its 1% puttable Ruble bonds for outstanding principal amount of RUB 505 with final maturity in October 2025. The new coupon rate of 5.55% per annum is applicable for the next four coupon periods (next two years). Following the reset of the coupon rate, bondholders exercised their put options in aggregate principal amounts of RUB 17 which was repaid on 14 October 2020. Subsequent to the settlement, the total outstanding principal amount of 5.55% Ruble bonds became RUB 488.

On 2 February 2021 PJSC "VimpelCom" fully repaid 7.748% Loan Participation Notes (Eurobonds), issued via "VIP Finance Ireland" in the amount of USD 262 million (the equivalent of RUB 19,782 as of 2 February 2021 at the exchange rate provided by the Central Bank of Russia) and USD 10 million (the equivalent of RUB 755 as of 2 February 2021 at the exchange rate provided by the Central Bank of Russia) of accrued interest.

Bank loans

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.

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15. Financial assets and liabilities (continued)

Loans granted to owners of the non-controlling interests

On 29 July 2020, 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 24.75 million with a maturity date of 29 July 2021. The interest rate under this facility agreement was 3.0%. On 29 July 2020, VIP Kazakhstan Holding AG provided the owner of the non-controlling interests with the amount of USD 24.75 million (the equivalent of RUB 1,780 as of the date of transaction at the exchange rate provided by the Central Bank of Russia). On 4 November 2020, VIP Kazakhstan Holding AG declared dividends (Note 19). The portion of dividends attributable to owners of the non-controlling interests amounted to USD 24.75 million was fully set-off against the loans previously granted to owners of the non-controlling interests.

On 18 December 2020, 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 26.73 million with a maturity date of 18 December 2021. The interest rate under this facility agreement was 3.0%. On 23 December 2020, VIP Kazakhstan Holding AG provided the owner of the non-controlling interests with the amount of USD 26.73 million (the equivalent of RUB 2,014 as of the date of transaction at the exchange rate provided by the Central Bank of Russia).

Loans granted to related parties and loans received from related parties

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

Fair value

As of 31 December 2020, 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, principal amount, for which fair value is equal to RUB 143,800 (31 December 2019: RUB 184,521);
- bonds, principal amount, for which fair value is equal to RUB 20,239 (31 December 2019: 18,368);
- bank loans, principal amount, for which fair value is equal to RUB 994 (31 December 2019: nil);
- interest payable to related parties, interest payable on bonds and interest payable on bank loans for which fair value is equal to RUB 2,911 (31 December 2019: RUB 8,034);
- lease liabilities, for which fair value has not been determined.

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

As of 31 December 2020 and 31 December 2019, all of the Group's financial instruments carried at fair value in the statement of financial position were measured based on Level 2 inputs. Carrying amounts of financial assets and financial liabilities carried at amortized costs approximates their fair value which is measured based on Level 2 inputs.

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

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.

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15. Financial assets and liabilities (continued)

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 2020 and 31 December 2019, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

Offsetting financial assets and liabilities

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

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

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

	Gross amounts recognized	Gross amounts set off in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position
As of 31 December 2020			
Trade and other receivables (current assets)	21,014	(154)	20,860
Trade and other payables (current liabilities)	86,254	(154)	86,100
	Gross amounts recognized	Gross amounts set off in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position
As of 31 December 2019			
Trade and other receivables (current assets)	23,732	(98)	23,634
Trade and other payables (current liabilities)	77,167	(98)	77,069

Foreign exchange contracts

VimpelCom entered into short-term forwards agreements with banks in order to protect cash flows of its short-term financial obligations denominated in USD from adverse USD-RUB movements. As of 31 December 2020, there was no outstanding derivative (forward). As of 31 December 2019, there was outstanding derivative (forward) in total amount 262 million USD with an execution rate of 64.565.

Accounting policies and source of estimation uncertainty

Fair value of financial instruments

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

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

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15. Financial assets and liabilities (continued)

Measurement of lease liabilities

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

Accounting policies and source of estimation uncertainty

Absolute majority of the lease liabilities as of 31 December 2020 in the amount of RUB 95,091 and 31 December 2019 in the amount of 87,090 related to the lease contracts which are extendable through mutual agreement between the Company and the lessor, or lease contracts which are cancellable by the Company immediately or on short notice. The Company includes these cancellable future lease periods within the assessed lease term, which increases the future lease payments used in determining the lease liability upon initial recognition. The Company continuously assesses whether a revision of lease terms is required due to a change in management judgment regarding, for example, the exercise of extension and/or termination options (Note 12). VimpelCom's determination of the lease term is based on facts and circumstances related to the underlying leased asset and lease contracts.

16. Cash and cash equivalents

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

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

	31 December 2020	31 December 2019
Cash and cash equivalents at banks and on hand	9,259	29,386
Short-term deposits with an original maturity of less than three months	3,043	2,112
Total cash and cash equivalents	12,302	31,498

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

The imposition of currency exchange controls or other similar restrictions on currency convertibility in the countries in which VimpelCom operates could limit VimpelCom's ability to convert local currencies or repatriate local cash in a timely manner or at all, as well as remit dividends from the respective countries.

As of 31 December 2020 and 31 December 2019, there were no restricted cash and cash equivalent balances.

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17. Financial risk management

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

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

Interest rate risk

The Company's exposure to the risk of changes in market interest rates primarily due to its financial assets and long-term debt obligations. The Company together with the senior management of its ultimate parent company VEON Ltd. manages its interest rate risk exposure through a portfolio of fixed and variable rate loans and borrowings.

As of 31 December 2020, approximately 85% of the Company's borrowings are at a fixed rate of interest (31 December 2019: 87%).

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

Interest rate sensitivity	+ Increase / - decrease in basis points	Effect on profit before tax / equity	
		2020	2019
US Dollar	+100	169	292
Euro	+100	2	3
Kazakh Tenge	+100	13	7
Uzbek Som	+100	14	23
Russian Ruble	+100	(262)	(202)
Other currencies	+100	2	7
US Dollar	-100	(169)	(292)
Euro	-100	(2)	(3)
Kazakh Tenge	-100	(13)	(7)
Uzbek Som	-100	(14)	(23)
Russian Ruble	-100	262	202
Other currencies	-100	(2)	(7)

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the debt denominated in currencies other than their functional currency of the relevant entity, the Company's operating activities (predominantly capital expenditures denominated in a different currency from the functional currency) and the Company's net investments in foreign subsidiaries. The Company manages its foreign currency risk by selectively hedging committed exposures.

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17. Financial risk management (continued)

Foreign currency sensitivity

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

Currency	Change in foreign exchange rate against USD	Effect on profit / (loss) before tax		Effect on other comprehensive income	
		2020	2019	2020	2019
Russian Ruble	10% depreciation	266	(852)	-	-
Kazakh Tenge	10% depreciation	83	23	-	-
Uzbek Sum	10% depreciation	(47)	(227)	-	-
Georgian Lari	10% depreciation	n/a	(2,213)	-	-
Armenian Dram	10% depreciation	n/a	15	-	-
Kyrgyzstani Som	10% depreciation	52	50	-	-
Other currencies	10% depreciation	605	(1)	-	-
Russian Ruble	10% appreciation	(292)	777	-	-
Kazakh Tenge	10% appreciation	(91)	(25)	-	-
Uzbek Sum	10% appreciation	51	249	-	-
Georgian Lari	10% appreciation	n/a	2,434	-	-
Armenian Dram	10% appreciation	n/a	(16)	-	-
Kyrgyzstani Som	10% appreciation	(57)	(55)	-	-
Other currencies	10% appreciation	(665)	1	-	-

Credit risk

The Company is exposed to credit risk from its operating activities (primarily from trade receivables) and from its treasury activities, including deposits with banks and financial institutions, derivative financial instruments and other financial instruments.

Trade receivables consist of amounts due from customers and payment agents for airtime usage and amounts due from dealers and customers for equipment sales. VimpelCom's credit risk arising from the services the Company provides to customers is mitigated to a large extent due to the majority of its active customers being subscribed to a prepaid service as of 31 December 2020 and 31 December 2019 and, accordingly, not giving rise to credit risk. For postpaid services, in certain circumstances, VimpelCom requires deposits as collateral for airtime usage. Equipment sales are typically paid in advance of delivery, except for equipment sold to dealers on credit terms.

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

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

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17. Financial risk management (continued)

Credit risk (continued)

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

The Company's maximum exposure to credit risk for the components of the consolidated statement of financial position as of 31 December 2020 and 31 December 2019 are the carrying amounts of financial instruments as illustrated in Note 15, the carrying amounts of trade and other receivables and cash and cash equivalents as presented in the consolidated statement of financial position and the amounts of the related party loans guaranteed by the Company as disclosed in Note 9.

Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bonds, bank overdrafts, loans and lease contracts. The Company's policy is to create a balanced debt maturity profile. As of 31 December 2020, 12% (31 December 2019: 12%) of the Company's debt will mature in less than one year based on the carrying value of bonds, bank loans and loans received from related parties reflected in the consolidated financial statements. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low based on liquidity in the markets the Company has access to, and recent history of refinancing. The Company believes that access to sources of funding is sufficiently available and the Company's policy is to diversify the funding sources where possible. Furthermore VEON Ltd. or its subsidiaries can act as a lender of funds (Note 20).

Maturity profile

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments. The total amounts in the table differ from the carrying amounts as stated in Note 15 as the below table includes both notional amounts and interest while the carrying amounts are based on amongst others notional amounts, fair value adjustments and unamortized fees. Related information on guarantees issued is disclosed in Note 9.

	On demand / less than				More than 5 years	Total
	1 year	1-3 years	3-5 years			
As of 31 December 2020	2021	2022-2023	2024-2025	> 2025		
Bonds and bank loans	20,261	1,736	–	–		21,997
Loans received from related parties	10,547	87,944	79,726	–		178,217
Lease liabilities	23,370	43,428	32,947	15,168		114,913
Trade and other payables	86,100	447	487	2,208		89,242
Total financial liabilities	140,278	133,555	113,160	17,376		404,369

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

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17. Financial risk management (continued)

Capital management

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

18. Issued capital and reserves

Common shares

As of 31 December 2020 and 31 December 2019, PJSC "VimpelCom" had 51,281,022 issued and outstanding, fully paid registered common shares at a nominal value of 0.5 kopecks each. As of 31 December 2020 and 31 December 2019, 51,281,021 common shares of PJSC "VimpelCom" were owned by VEON Holdings B.V., the wholly-owned indirect subsidiary of VEON Ltd. and 1 common share was owned by VEON Ltd., the ultimate parent of the Group. In addition to the issued and outstanding shares, the Company shall have the right to issue an additional 38,718,978 common registered shares having a nominal value of 0.5 kopecks each (authorized shares).

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

Convertible preference shares

As of 31 December 2020 and 31 December 2019, PJSC "VimpelCom" had issued and outstanding 6,426,600 Type A preferred shares. As of 31 December 2020 and 31 December 2019, all Type A preferred shares (6,426,600 shares) were owned by VEON Holdings B.V. Each share of preferred stock entitles its holder (i) to participate in Shareholders' General Meetings with the right to vote on all issues (each preferred share shall have one vote at a Shareholders' General Meeting); (ii) to receive annually a fixed dividend of 0.1 of a kopeck per preferred share and (iii) to receive a fixed liquidation value of 0.5 of a kopeck per preferred share in the event of VimpelCom's liquidation, to the extent there are sufficient funds available; (iv) to include issues on the agenda of the Shareholders' General Meeting. Each share of preferred stock is convertible into one share of common stock at any time after 30 June 2016, at the election of the holder upon payment to VimpelCom of a conversion premium equal to 100% of the market value of one share of common stock at the time of conversion.

Nature and purpose of reserves

Other capital reserves

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

Foreign currency translation reserve

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

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19. Dividends

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

On 4 November 2020, VIP Kazakhstan Holding AG, a subsidiary of the Company, declared dividends. The portion of dividends attributable to owners of the non-controlling interests amounted to USD 24.75 million (the equivalent of RUB 1,980 as of 4 November 2020 at the exchange rate provided by the Central Bank of Russia) and was fully set-off against the loans previously granted to owners of the non-controlling interests (Note 20).

The portion of other dividends paid to the owners of the non-controlling interests amounted to RUB 170 million (as of the date of dividends declared).

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Additional information

20. Related parties

As of 31 December 2020 and 31 December 2019, PJSC "VimpelCom" was a wholly-owned indirect subsidiary of VEON Ltd. As of 31 December 2020 and 31 December 2019, VEON Ltd. was primarily owned by L1T VIP Holdings S.à r.l., a member of the LetterOne group of companies. VEON Ltd. has no ultimate controlling shareholder.

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

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

	For the years ended	
	31 December	
	2020	2019
Revenue from VEON Ltd. and its subsidiaries:		
- Revenue from Teta Telecom and its subsidiaries	1,426	923
- Revenue from Kyivstar	242	267
- Revenue from VEON Ltd. and its other subsidiaries	681	1,309
Revenue from other related parties	2	60
	2,351	2,559
Services from VEON Ltd. and its subsidiaries:		
- Services from Teta Telecom and its subsidiaries	(3,562)	(3,375)
- Services from Kyivstar	(490)	(458)
- Services from VEON Ltd. and its other subsidiaries	(5,514)	(8,305)
Services from other related parties	(1)	(19)
	(9,567)	(12,157)
Finance income from VEON Ltd. and its subsidiaries	2,001	2,781
Finance costs from VEON Ltd. and its subsidiaries	(15,176)	(19,199)
Other gain / (loss) from VEON Ltd. and its subsidiaries, net	3	(22)
	3	(22)
	As of	As of
	31 December	31 December
	2020	2019
Accounts receivable from VEON Ltd. and its subsidiaries:		
- Accounts receivable from Teta Telecom and its subsidiaries	597	111
- Accounts receivable from Kyivstar	61	321
- Accounts receivable from VEON Ltd. and its other subsidiaries	482	441
Accounts receivable from other related parties	4	1
	1,144	874
Accounts payable to VEON Ltd. and its subsidiaries:		
- Accounts payable to Teta Telecom and its subsidiaries	198	260
- Accounts payable to Kyivstar	88	228
- Accounts payable to VEON Ltd. and its other subsidiaries	19,367	15,476
Accounts payable to other related parties	-	2
	19,653	15,966
Loans granted to VEON Ltd. and its subsidiaries	57,776	51,659
Interest receivable from VEON Ltd. and its subsidiaries	221	291
Loans received from VEON Ltd. and its subsidiaries	142,318	173,978
Interest payable to VEON Ltd. and its subsidiaries	2,275	9,450
Unamortised fees related to loans received from VEON Ltd. and its subsidiaries	-	(429)

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20. Related parties (continued)

Loans granted to VEON Ltd. and its subsidiaries

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

Lender	Borrower	Date of agreement	Maturity	Interest rate	Currency	31 December 2020	31 December 2019
Golden Telecom Inc. ¹	VEON Holdings B.V.	27 Oct. 2020	Oct. 2024	3.0%	USD	26,595	–
PJSC "VimpelCom" ²	VEON Holdings B.V.	13 Dec. 2017	< 3 months	8.0%	RUB / USD	13,964	39,330
Golden Telecom Inc. ³	VEON Holdings B.V.	31 Jan. 2018	On demand	LIBOR+0.70%	USD	10,579	8,552
VIP Kazakhstan Holding AG ⁴	VEON Holdings B.V.	21 Dec. 2020	Dec. 2021	3.0%	USD	5,407	–
Clafdor Investments Ltd.	VEON Micro Holdings B.V.	4 Sep. 2018	On demand	LIBOR+0.60%	USD	781	619
KaR-Tel, LLP	TNS-Plus	2007-2011	2020–2021	9.46%	KZT	388	668
VEON Eurasia S.à r.l.	VEON Holdings B.V.	31 Mar. 2017	On demand	LIBOR+0.65%	USD	62	34
VEON Armenia, CJSC ⁵	VEON Holdings B.V.	7 Aug. 2017	On demand	LIBOR+0.80%	USD	–	2,456
Total						57,776	51,659

¹ On 15 October 2020, Golden Telecom Inc. transferred 100% of shares in Bardym Enterprises Ltd. to VEON Holdings B.V. (a subsidiary of VEON Ltd. and related party of the Group) in exchange for purchase consideration of USD 360 million (the equivalent of RUB 27,819 as of 15 October 2020 at the exchange rate provided by the Central Bank of Russia). On 27 October 2020, Golden Telecom Inc. and VEON Holdings B.V. agreed that the outstanding consideration of USD 360 million shall be deemed to be a loan (Note 14);

² For the year ended 31 December 2020, PJSC "VimpelCom" provided VEON Holdings B.V. with the equivalent of RUB 53,463 (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 78,829 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia). In the first quarter of 2021, VEON Holdings B.V. repaid the equivalent of RUB 2,750 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia);

³ For the year ended 31 December 2020, Golden Telecom Inc. provided VEON Holdings B.V. with the amount of USD 3.4 million (the equivalent of RUB 254 as of the date of each transaction at the exchange rate provided by the Central Bank of Russia) and VEON Holdings B.V. repaid USD 1.07 million (the equivalent of RUB 76 as of the date of each transaction at the exchange rate provided by the Central Bank of Russia). The amount of interest capitalized for the year ended 31 December 2020 was USD 3 million (the equivalent of RUB 228 as of the date of each transaction at the exchange rate provided by the Central Bank of Russia);

⁴ On 21 December 2020, VIP Kazakhstan Holding AG signed a facility agreement with VEON Holdings B.V. for the amount of USD 73.2 million with the maturity date on 21 December 2021. The interest rate under the agreement is 3.0%. On 23 December 2020, VIP Kazakhstan Holding AG provided VEON Holdings B.V. with the amount of USD 73.2 million (the equivalent of RUB 5,516 as of the date of transaction at the exchange rate provided by the Central Bank of Russia);

On 17 July 2020, VIP Kazakhstan Holding AG signed a facility agreement with VEON Holdings B.V. for the amount of USD 67.2 million with the maturity date on 17 July 2021. The interest rate under the facility agreement is 3.0%. In July of 2020, VIP Kazakhstan Holding AG provided VEON Holdings B.V. with the amount of USD 67.2 million (the equivalent of RUB 4,837 as of the date of transaction at the exchange rate provided by the Central Bank of Russia). On 3 November 2020 VEON Holdings B.V. fully repaid this loan;

⁵ For the year ended 31 December 2020, VEON Holdings B.V. fully repaid the loan granted by VEON Armenia, CJSC;

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20. Related parties (continued)

Loans received from VEON Ltd. and its subsidiaries

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

Lender	Borrower	Date of agreement	Maturity	Interest rate	Currency	31 December 2020	31 December 2019
VEON Holdings B.V. ¹	PJSC "VimpelCom"	19 Aug. 2020	Aug., 2024	8.75%	RUB	40,100	40,100
VEON Holdings B.V. ²	PJSC "VimpelCom"	14 Aug. 2020	Aug., 2024	8.75%	RUB	35,000	–
VEON Holdings B.V. ³	PJSC "VimpelCom"	14 Aug. 2020	Aug., 2023	8.50%	RUB	30,000	–
VEON Luxembourg Finance S.A. ⁴	PJSC "VimpelCom"	11 Oct. 2017	Oct., 2022	125% of the key rate	RUB	15,000	15,000
Sovintel Group, LLC ⁵	PJSC "VimpelCom"	23 Nov. 2009	Nov., 2022	1.00%	RUB	10,454	–
VEON Luxembourg Finance S.A. ⁴	PJSC "VimpelCom"	9 Aug. 2017	Aug., 2022	125% of the key rate	RUB	9,454	9,454
Kubtelecom, LLC ⁵	PJSC "VimpelCom"	2 Aug. 2010	Aug., 2022	7.50%	RUB	2,310	–
VEON Luxembourg Finance S.A. ⁶	PJSC "VimpelCom"	19 May 2017	May, 2022	11.40%	RUB	–	95,000
VEON Luxembourg Finance S.A. ⁷	VEON Georgia, LLC	26 Mar. 2015	Mar., 2032	6.50%	USD	–	14,114
VEON Luxembourg Finance S.A. ⁷	VEON Georgia, LLC	9 Jan. 2018	Dec., 2020	6.50%	USD	–	310
Total						142,318	173,978

¹ On 19 August 2020, PJSC "VimpelCom" entered into a novation agreement in accordance with which the lender was changed from VEON Luxembourg Finance S.A. to VEON Holdings B.V., the interest rate was changed from 11.00 % to 8.75% and the maturity date was changed from June 2022 to August 2024;

² On 14 August 2020, PJSC "VimpelCom" signed a credit facility agreement with VEON Holdings B.V. for the amount of RUB 35,000 with the maturity date on 14 August 2024 for general corporate purposes, including, without limitation, in order to repay, prepay and/or refinance certain existing borrowings of PJSC "VimpelCom". The interest rate under the agreement is 8.75%. In August of 2020, PJSC "VimpelCom" drew down RUB 35,000;

³ On 14 August 2020, PJSC "VimpelCom" signed a credit facility agreement with VEON Holdings B.V. for the amount of RUB 30,000 with the maturity date on 14 August 2023 for general corporate purposes, including, without limitation, in order to repay, prepay and/or refinance certain existing borrowings of PJSC "VimpelCom". The interest rate under the agreement is 8.50%. In August of 2020, PJSC "VimpelCom" drew down RUB 30,000;

⁴ 19 February 2021, VEON Luxembourg Finance S.A. entered into deed of transfer in accordance with which, starting from 1 January 2021, all rights of claims under these loans were transferred from VEON Luxembourg Finance S.A. to VEON Holdings B.V.;

⁵ On 15 October 2020, Golden Telecom Inc. (a subsidiary of the Company) entered into a share purchase agreement for the sale of Bardym Enterprises Ltd., which held (directly and indirectly) our 100% stake LLC "Sovintel Group" and 100% stake LLC "Kubtelecom";

⁶ For the year ended 31 December 2020, PJSC "VimpelCom" early repaid RUB 95,000;

⁷ On 14 May 2020, PJSC "VimpelCom" entered into an agreement for the sale of Watertrail Industries Ltd., which held our 51% stake VEON Georgia, LLC, an operating company in Georgia. On 14 May 2020, PJSC "VimpelCom" transferred 100% of shares in Watertrail Industries Ltd. to VEON Georgia Holdings B.V. (a subsidiary of VEON Ltd. and related party of the Group) (Note 14).

On 17 December 2020, PJSC "VimpelCom" signed a credit facility agreement with VEON Holdings B.V. for the amount of RUB equivalent of USD 377 million (the equivalent of RUB 27,679 as of 17 December 2020 at the exchange rate provided by the Central Bank of Russia) with a maturity date of 17 December 2024 for general corporate purposes. The interest rate under the credit facility agreement is 8.75%. In January 2021 under facility agreement VEON Holdings B.V. provided PJSC "VimpelCom" with the equivalent of RUB 27,037 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia).

Compensation of key management personnel of the Company

The General Director and key vice presidents of PJSC "VimpelCom" are the key management personnel. The amount of accrued remuneration to key management personnel of the Company in 2020 amounted to RUB 1,394 (2019: RUB 1,200). The amount of remuneration paid to key management personnel of the Company in 2020 amounted to RUB 562 (2019: RUB 976). The amount of social insurance contributions related to remuneration paid to key management personnel of the Company amounted to RUB 80 (2019: RUB 100). Remuneration to key management personnel of the Company is mainly represented by a short-term category of employee benefits.

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20. Related parties (continued)

Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured, settlements occur in cash. There have been no guarantees provided or received for any related party receivables or payables. The terms and amounts of the Company's guarantees of the related party loans that existed as of 31 December 2020 are disclosed in Note 9.

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

For the years ended 31 December 2020 and 31 December 2019, the impairment assessment of loans granted to related parties and receivables from related parties was undertaken through examining the financial position of the related party and the market in which the related party operates. The Company accounts for the expected credit loss allowance for the Group loans granted to related parties and receivables due from related parties, deemed as intercompany loans from VEON Ltd. Group's perspective, in the same way as for the trade receivables and loans granted as ones from third parties, in accordance with IFRS 9.

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

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

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

As of 31 December 2020 and 31 December 2019, the Group performed the impairment assessment over the loans granted to related parties and receivables owed by related parties held by the Company. As a result, the calculated amount of the expected credit loss allowance over the loans granted to related parties and receivables owed by related parties held by the Company was determined as immaterial from the Company's perspective and was therefore not recognized as of 31 December 2020 and 31 December 2019.

21. Events after the reporting period

On 15 February 2021, PJSC "VimpelCom" completed the acquisition from VEON Holdings B.V. 79.8% shares in Golden Telecom, Inc. (14.078% of voting rights) (Note 14) for a consideration of USD 1 (the equivalent of nil RUB). After the transfer of ownership to PJSC "VimpelCom" for the indicated shares, PJSC "VimpelCom" became the only shareholder in Golden Telecom Inc. (100% shares and 100% of voting rights). This transaction represents a purchase of non-controlling interests without a change of control. Consequently, the difference between the book value of non-controlling interests as of 15 February 2021 (positive value of RUB 31,027) and the cost of acquisition (1 USD (the equivalent of nil RUB)) will be recorded directly within "Other capital reserves" in the consolidated statement of changes in equity (Gain of RUB 31,027).

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21. Events after the reporting period (continued)

On 10 March 2021, Golden Telecom Inc. (a subsidiary of the PJSC "VimpelCom" (Note 14)) was liquidated. The assets of the above entity comprising the investments in its own subsidiaries were distributed to the shareholder (PJSC "VimpelCom"). The distribution of the remaining assets will be deferred and might take significant time.

Significant changes in financial assets and liabilities after the reporting period also related to movements in loans granted to related parties (Note 20), loans received from related parties (Note 20), bank loans (Note 15) and the scheduled repayments of debt (Note 15).

22. Basis of preparation of the consolidated financial statements

Basis of preparation

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

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

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of PJSC "VimpelCom" and its subsidiaries. Subsidiaries are all entities over which PJSC "VimpelCom" has control.

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

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

Foreign currency translation

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

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

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

Foreign currency translation (continued)

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

The following table shows the exchange rates of currencies against the US dollar as of 31 December 2020 and 31 December 2019:

Currency (for 1 USD)	31 December 2020	31 December 2019
Russian Ruble	73.8757	61.9057
Kazakh Tenge	420.71	381.18
Uzbek Sum	10,476.92	9,507.56
Kyrgyzstani Som	82.6498	69.6439
Georgian Lari	n/a	2.8677
Armenian Dram	n/a	479.70

23. Significant accounting policies

Significant accounting judgments, estimates and assumptions

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

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

Significant accounting judgement / source of estimation uncertainty	Described in:
Uncertain tax positions (significant accounting judgement)	Note 10
Impairment of non-current assets (significant accounting estimate)	Note 11
Lease term (significant accounting estimate)	Note 12 and Note 15

New standards, interpretations and amendments

A number of new and amended standards became effective as of 1 January 2020, which did not have a material impact on VimpelCom financial statements.

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

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23. Significant accounting policies (continued)

New standards, interpretations and amendments (continued)

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on VimpelCom financial statements in current or future reporting periods or on foreseeable future transactions. The Group has not early adopted any other standards, interpretations or amendments that have been issued but have not yet become effective.